ADM Investor Services, Inc.

Weekly Futures Market Summary

by the ADMIS Research Team
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BONDS:
Treasury prices exploded on the upside late last week as the markets were crossed up by initial and ongoing claims data that went in the opposite direction of those expectations calling for a decline. In other words, the week over week data showed an increase in jobless claims and a slightly smaller than expected decline in continuing claims. On the other hand bond prices rallied impressively despite improvement in the job cuts report and from some record high PMI-based readings. In retrospect, the ability to keep bond and note prices near 2-week highs in the wake of a massive US nonfarm payroll gain for the month of March last Friday highlights the residual stubbornness of the bull camp.

However, the prior 30 days sideways chop has reduced the net spec and fund short from the extreme levels posted in early February and that could facilitate a wave of stop loss selling and a declined to a new "lower trading range" in-the-event that economic optimism perpetuates this week. While estimates for US data call for a-number-of notable gains in various readings from business conditions, services PMI, and services employment readings, it is possible that optimism from equities will trump the reaction from US scheduled data.

Unfortunately for the bear camp the daily US infection count continues to be elevated (in our opinion) around 65,000 and therefore the risk on vibe might not be strong enough to create economic euphoria. The down trend remains in place in June Bonds, with down trend channel resistance given added credence by the much stronger than expected US Non-Farm payroll reading from last Friday. The March 30th Commitments of Traders report showed Bonds Non-Commercial & Non-Reportable traders net bought 14,913 contracts and are now net short 162,383 contracts. For T-Notes Non-Commercial & Non-Reportable traders net sold 21,460 contracts and are now net short 224,697 contracts.

CURRENCIES:
While the dollar index did not show a significant reaction to last Thursday's countervailing flow of US schedule data, the index did fall back from its highs and the recovery currencies of the Swiss franc and euro showed noted gains. In other words, despite US scheduled jobs related data, the trade seemed to embrace PMI readings as a sign that the US economy was holding together. It is also possible that a

decline in US interest rates and recent upticks in US infection counts prompted some with long dollar profits to exit.

While the dollar was subdued in the early going this week, the bull camp should see last week's nonfarm payroll reaction as a negative signal. In other words, the lack of a significant rally in the dollar following very strong economic signals suggest that the dollar has been trading higher off "flight to quality" issues. Therefore, it is possible that stronger-than-expected ISM and business conditions data could push the June dollar index back down toward consolidation low support. The Commitments of Traders report for the week ending March 30th showed Dollar Non-Commercial & Non-Reportable traders were net long 9,500 contracts after increasing their already long position by 933 contracts.

With portions of Europe closed for the Easter Monday holiday, the range in the euro at the start of this week could be restrained. However, we see the fundamentals favoring the long side of the euro, with risk on sentiment in place early from surging equities and further lift likely following US scheduled data flow. We would remain bullish toward the euro as-long-as it respects consolidation low support. The March 30th Commitments of Traders report showed Euro Non-Commercial & Non-Reportable traders are net long 107,381 contracts after net selling 22,095 contracts.

While the Yen managed to halt the sharp downward wash started at the middle of last month, the fundamental condition remains bearish toward the Yen. However, Japanese household spending will be released Tuesday and expectations call for another contraction, thereby leaving the fundamentals in favor of the bear camp. Despite what could be considered a risk on environment from strength in global equity markets and from last week's very strong US jobs report, the Swiss franc remains out-of-favor and appears to be capable of more erosive type declines on the charts.

With the UK closed for Easter Monday holiday, the upside breakout in the Pound was probably forged on very thin trading volume. However, the Pound should be garnering lift from a massive COVID testing program rollout and from the anticipated reopening of portions of the UK economy. Despite signs of increased bullishness toward the Canadian dollar among analysts, positive residue from the significant Canadian factory activity report last week and signs of weakness in the US dollar, the Canadian faltered with a trade below last week's closing level. Furthermore, the province of Ontario has been forced to return to restricted activity and that should thicken resistance in the Canadian dollar.

STOCKS:

Equity markets managed another series of new all-time highs last Thursday and managed than action despite mixed to slightly disappointing US jobs related data. However, the bull camp in stocks was cheered by the fact that rising interest rate trends might be temporarily reversed which in turn would leave the low interest rates for a long period of time condition in place. Global equity markets at the start of this week were higher with the exceptions the RTS index in Russia. The Easter Monday holiday throughout Europe restricted economic flow with the only 2 economic reports released were a Japanese services PMI reading for March which improved by 2 points above the prior month.

With new highs in several US markets and the tailwinds from the much stronger than expected US March payroll report the bias remains up, with more gains likely in the wake of a positive flow of US scheduled data. While there are whispers of concern regarding rising US interest rates circulating in the marketplace, investors for the time being are willing to move into the market under the assumption that the Fed will remain on hold through the 2nd quarter.

Overall sentiment should be stoked in the event the Dow Jones industrial average opens in new all-time high ground, especially with Tesla shares surging early and fostering bullish buzz to start the new trading week. The net spec and fund long in the S&P is very modest which suggests the market retains significant speculative buying fuel. E-Mini S&P positioning in the Commitments of Traders for the week ending March 30th showed Non-Commercial & Non-Reportable traders net sold 13,207 contracts and are now net long 12,036 contracts.

As indicated in other coverage, seeing the Dow Jones industrial average (cash) open in new all-time high ground Monday should provide bullish headlines and even higher highs ahead. In fact, unless the market becomes concerned about rising rates (with a June bond trade below 154-10), the bull camp should see ongoing lift from a flurry of US service-related data points for March. With the spec and fund long in Dow futures as of early last week still "net short" the market could see stop loss buying early today. The March 30th Commitments of Traders report showed Dow Jones $5 Non-Commercial & Non-Reportable traders are net short 8,579 contracts after net selling 1,038 contracts.

With the NASDAQ sitting just under 35-day highs and the overall tone of the market bullish, the bull camp has an edge. However, the index could see some headwinds from renewed volatility in Game Stop shares, with those shares down 12% after notification of a share sale plan from the company. The Commitments of Traders report for the week ending March 30th showed Nasdaq Mini Non-Commercial & Non-Reportable traders net sold 5,797 contracts and are now net short 25,321 contracts.

GOLD, SILVER & PLATINUM:

While gold and silver prices were slightly lower to start the new trading week, they remain near the recovery highs forged over the prior 2 trading sessions. Obviously, thin trading conditions because of the partial global holiday restricted ranges but the gold market should see some fundamental support flowing from news that India's gold imports in March reached a record 160 tonnes, with retail interest recovering and stimulated by reduced taxes and gold prices nearly $300 below the early 2021 highs. In February, India cut import duties by 1.75% which combined with recent pricing at 12-month lows apparently stoked purchases last month. While the Indian March gold imports were up an astounding 471% versus year ago levels, the comparison to year ago readings is suspect given the pandemic demand destruction in place last March.

While the gold market has not shown signs of tracking physical demand over the past several months, we see the Indian demand news as a sign that the twin giants of India and China are likely to spool up imports after the pandemic lockdowns. Unfortunately for the bull camp, gold and silver do not appear to be correlating tightly with equities which in turn would give credence to the idea of recovering physical demand interest. At the end of last week, gold ETF holdings were reduced for a 10th straight trading session, with net sales on the year surpassing 7 million ounces. With the gold market into last week's low holding the smallest net spec and fund long since May 2019, and the June gold contract consolidating for nearly 30 days above $1678, it is possible current levels present technical and fundamental value.

The March 30th Commitments of Traders report showed Gold Managed Money traders reduced their net long position by 5,547 contracts to a net long 50,463 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 12,159 contracts to a net long 185,734 contracts. The May silver contract started the new trading week with prices sitting just under the 200-day moving average of $25.02, but it does not appear as if the trade is garnering lift from the latest round of new all-time highs in certain US equity market measures. Unfortunately for the bull camp, silver ETF's last week reduced their holdings by 5.1 million ounces with year-to-date gains in holdings up by 3.8%. The net spec and fund long in the silver market is the lowest in 10 months as Silver positioning in the Commitments of Traders for the week ending March 30th showed Managed Money traders reduced their net long position by 1,659 contracts to a net long 21,236 contracts. Non-Commercial & Non-Reportable traders are net long 45,466 contracts after net selling 4,903 contracts.

With the platinum market forging a 3-week early this week and diverging with the rest of the precious metal markets early on, the bull camp appears to have initial control. However, the rally off last week's low of $64 was forged on very light trading volume and therefore early week action will be critical with respect to the level of trade interest at higher price levels. Unfortunately for the bull camp, platinum ETF holdings at the end of last week declined by a rather significant 9,271 ounces leaving the year-to-date gain at 1.9%. The net spec and fund long in platinum is also burdensome at 38,479 contracts especially with prices into the overnight high sitting $51 higher from the COT report mark off.

The Commitments of Traders report for the week ending March 30th showed Platinum Managed Money traders net bought 43 contracts and are now net long 20,673 contracts. Non-Commercial & Non-Reportable traders were net long 38,479 contracts after increasing their already long position by 227 contracts. While the net spec and fund long in the palladium market is very modest in size, the positioning is clearly understated by the post report rally of $68. It should be noted that palladium ETFs last week were the only precious metal market to post a net inflow. Palladium positioning in the Commitments of Traders for the week ending March 30th showed Managed Money traders are net long 3,247 contracts after net buying 130 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 47 contracts to a net long 3,108 contracts.

COPPER:
While it might appear to be a delayed reaction, copper prices should be benefiting from last week's much stronger than expected US nonfarm payroll report as that provides a lift to non-Chinese copper demand prospects. It is also possible that focus on the US infrastructure package is adding to the lift early this week, as that subject dominated the weekend headlines flowing from Washington. During the US holiday closure last Friday, the Shanghai copper warehouse stocks posted a gain of 9,269 tons with a weekly gain of 4.9%.

Apparently at the end of last week the market was presented with firmer refined copper demand expectation, following news that global smelting supply was reduced because of a lack of inputs. While the copper market moderated its net spec and fund long positioning last week, the positioning remains lofty and the market vulnerable to compacted stop loss selling events. Copper positioning in the Commitments of Traders for the week ending March 30th showed Managed Money traders are net long 43,179 contracts after net selling 2,361 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 1,938 contracts to a net long 54,709 contracts.

ENERGY COMPLEX:

On one hand, the energy market should see fresh demand orientated buying from a "risk on" environment emanating from strength in global equities early today. On the other hand, the market is sensing increased output from Iran, when the Iranian government negotiates with the US for a loosening of sanctions. In fact, Iran has increased output and exports already and it is well documented that the Russians and Libyans are also keen to expand their output. In addition to the "fear" of increased future supply, the markets are presented with evidence that OPEC increased its output by 300,000 barrels per day last month. In yet another negative force, a 7.8% week over week increase in global floating crude supply highlights some softening of energy demand in Asia.

It should also be noted that weekly floating storage in the Middle East, North Sea, and West Africa jumped significantly thereby offsetting the 35% week over week decline in European supply. In a psychological negative, headlines have touted the potential return of US shale oil production with oil prices settling in around and mostly above $60 for the last 45 days. From a technical perspective, the crude oil market has maintained a moderately large net spec and fund long positioning despite 3 weeks of sideways chop. The March 30th Commitments of Traders report showed Crude Oil Managed Money traders added 5,363 contracts to their already long position and are now net long 381,604. Non-Commercial & Non-Reportable traders are net long 623,407 contracts after net buying 1,176 contracts.

While the gasoline market retains a bullish chart setup, with a uniform uptrend "channel" pattern (higher lows and higher highs) but trading volume has remained flat, thereby dampening the dominance of the bull camp. From an intermediate perspective, we view the resumption of the uptrend in gasoline prices with suspicion, as the US refinery operating rate has jumped from 56% in late February to nearly 84% at the end of March, which in turn should result in increased supply flow to US inventories unless demand is already in the process of spooling up. In fact, international product supply headed toward the US increases the importance of near-term demand recovery and therefore we expect expanded volatility. On the other hand, the net spec and fund long in the gasoline market remained surprisingly small (relative to the last 3 years range) and the market likely retains speculative buying fuel.

The Commitments of Traders report for the week ending March 30th showed Gas (RBOB) Managed Money traders were net long 61,799 contracts after decreasing their long position by 1,431 contracts. Non-Commercial & Non-Reportable traders net sold 132 contracts and are now net long 58,769 contracts. The ULSD continues to chop sideways and has built a ledge of support at $1.75 as the market waits for signs of improving US demand. From a technical perspective, the diesel market holds a minimal net spec and fund long position. The Commitments of Traders report for the week ending March 30th showed Heating Oil Managed Money traders net sold 2,785 contracts and are now net long 13,271 contracts. Non-Commercial & Non-Reportable traders net sold 1,373 contracts and are now net long 24,783 contracts.

The natural gas market saw fresh chart damage with residual pressure remaining in place from last week's storage report. In fact, it would appear as if the injection season has begun with warm temperatures in the Midwest and East Coast putting extra weight on market pricing to start the new week. Fortunately for the bull camp, significant interest for US export supply continues to surface which in turn discourages some selling interest. It should also be noted that chatter of increased global LNG import demand is a feature in the headlines and therefore demand should countervail part of the negative supply news. The weekly natural gas storage report showed an injection of 14 bcf. Total storage stands at 1,764 bcf or 2.0% below the 5 year average. Over the last four weeks natural gas storage has declined 81 bcf. The March 30th Commitments of Traders report showed Natural Gas Managed Money traders net bought 12,904 contracts and are now net long 19,255 contracts. Non-Commercial & Non-Reportable traders were net short 20,461 contracts after increasing their already short position by 1,664 contracts.

BEANS:

The soybean market looks to continue to see increased volatility as the planted area is so low for the new crop season that it will be difficult to avoid extreme tightness. The stocks report showed a little more supply than expected and this has triggered aggressive liquidation of the bull spreads. Palm oil closed slightly lower on Friday but managed to gain 1.3% for the week. After the limit up move on Wednesday, plenty of grain movement caused the cash market to fall as the producer and elevator cash sales increased. This may keep some pressure on the nearby contracts but new crop should continue to see active buying due to tight outlook.

If we use the new USDA Prospective Plantings number of 87.6 million acres and the USDA Outlook Forum trend yield of 50.8 bushels/acre (the second highest ever), ending stocks for the new crop season project to just 17 million bushels. This would be down from 120 million for 2020/21, which was already considered to be near a pipeline minimum. If we were to assume slightly lower yield at 49.8 bushels per acre, still the fourth highest on record, ending stocks would project to -68 million bushels. Up to this point, the lowest ending stocks total since 1972 has been 92 million bushels from the 2013/14 season. If the weather is bad and we match the 2019 yield of 47.4 bushels per acre, ending stocks would project to -276 million bushels. Any of these scenarios would suggest some level of price rationing would be needed.

July soybeans closed sharply lower on the session Thursday and gave back nearly half of the gains from Wednesday. November soybeans closed higher on the session and posted new contract highs. The weekly export sales report showed that for the week ending March 25, net soybean sales came in at 105,761 tonnes for the current marketing year and 131,000 for the next marketing year for a total of 236,761. Cumulative soybean sales have reached 99.3% of the USDA forecast for the 2020/2021 marketing year versus a 5 year average of 90.0%. Sales need to average just 18,000 tonnes per week to reach the USDA forecast. Net meal sales came in at 139,731 tonnes for the current marketing year and -311 for the next marketing year for a total of 139,420. Net oil sales came in at 4,080 tonnes. Bean movement on the rally Wednesday increased significantly in Brazil as compared to recent days and was active again on Thursday. US processor scheduled downtime begins this next week.

US soybean crush for February was 164.35 million bushels. This was at the lower end of pre-report estimates. The February average is 161.81 million bushels. The daily crush pace was 5.87 million bushels per day. The cumulative crush for the marketing year has reached 1.11 billion bushels 50.7% of the USDA's current estimate for the marketing year. As of February last year, the cumulative crush had reached 49.6% of the USDA forecast of 1.07 billion bushels. US soybean oil stocks in February came in at 2.306 billion pounds versus 2.306 last month and 2.377 last year. Soybeans positioning in the Commitments of Traders for the week ending March 30th showed managed money traders reduced their net long position by 20,973 contracts to a net long 141,880 contracts.

The long liquidation selling trend is a short-term negative force. Non-Commercial No CIT traders were net long 98,701 contracts after decreasing their long position by 27,684 contracts. For Soyoil, managed money traders net sold 13,137 contracts and are now net long 80,840 contracts (also long liquidation). Non-Commercial & Non-Reportable traders are net long 107,584 contracts after net selling 19,508 contracts. For Soymeal, managed money traders net bought 615 contracts and are now net long 58,235 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 57 contracts to a net long 107,386 contracts.

CORN:

While the nearby contract experienced reversal action, the fundamentals look very strong for new crop and breaks look like buying opportunities. July corn closed a couple of cents lower on the session Thursday after posting contract highs early in the day. This is a bearish technical development. December corn closed moderately higher on the session and the buying pushed the market up to new contract highs. While a dry outlook may have helped to pressure the market some late last week, the five day forecast has shifted to show 1 1/2 - 2 1/2 inches of rain for Iowa/southern Minnesota. In addition, 3/4 of an inch to 1 1/4 inches are in the forecast for southern Iowa and the northern half of Illinois. If April is dry, it could cause producers to plant extra corn acres.

The USDA plantings update was extremely bullish. If we use the new USDA Prospective Plantings number of 91.1 million acres and assume slightly tighter beginning stocks than the USDA (due to the active export sales pace), a record yield of 179.5 bushels per acre would leave ending stocks for the new crop season at just 1.193 billion bushels and result in a stock/usage ratio of 7.9%. Keep in mind that the stocks/usage ratio has been under 10% only six times since 1973. Thursday's weekly export sales report showed cumulative US corn sales as of March 25 had reached 99.5% of the USDA's forecast for the entire 2020/21 marketing year versus a five-year average of 75.3%, which is why we expect the USDA to raise its export and lower ending stocks forecasts for 2020/21, which would lower beginning stocks for 2021/22.

If we were to assume a slightly lower yield at 175 bushels per acre, still the third highest on record, ending stocks would come in at just 818 million bushels with a stocks/usage ratio of 5.4%. The record low for the ratio is 5% from 1995/96. If the weather is bad and the crop yield matches 2019's 167.5 bushels per acre, ending stocks could fall to 194 million bushels with a stocks/usage ratio of 1.3%. The March 30th Commitments of Traders report showed managed money traders are net long 395,584 contracts after net buying 7,409 contracts for the week. Non-Commercial & Non-Reportable traders reduced their net long position by 2,076 contracts to a net long 477,775 contracts.

WHEAT:
July wheat closed lower on the session Thursday but well up from the midsession lows. The market held support on the break and bounced as the two week outlook for the central and southern Plains shows very little rainfall, and this may have helped support the bounce. However, the 8 to 14 day forecast model now shows above normal precipitation for the southern and western wheat belt.

Weakness in the US dollar and strength in energy in the stock market helped to support. The weekly export sales report showed that for the week ending March 25, net wheat sales came in at 250,091 tonnes for the current marketing year and 81,000 for the next marketing year for a total of 331,091. Cumulative sales have reached 93.6% of the USDA forecast for the 2020/2021 marketing year versus a 5 year average of 93.0%. Sales need to average 75,000 tonnes per week to reach the USDA forecast.

The March 30th Commitments of Traders report showed managed money traders went from a net long to a net short position of 14,711 contracts after net selling 22,871 contracts for the week. Non-Commercial & Non-Reportable traders went from a net long to a net short position of 6,499 contracts after net selling 22,364 contracts for the week. For KC Wheat, managed money traders net sold 4,520 contracts and are now net long 21,722 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 6,941 contracts to a net long 12,948 contracts.

HOGS:
The short-term supply/demand fundamentals remain supportive for the market with June hogs moving up to new contract high on Thursday. Traders see prices high enough to eventually expect an expansion in the US, and China is still an active buyer of US pork even though traders expect China to back away from the US market soon. The hog market closed moderately higher on the session Thursday with June hogs posting a new contract high. Continued strong export sales, a seasonal decline in slaughter and positive demand emerging from the reopening of the economy are all factors which have helped support. The USDA pork cutout on Friday came in at $108.44, up 88 cents from $107.56 on Thursday and $106.45 the previous week. This was the highest the cutout had been since March 24.

The CME Lean Hog Index as of March 30 was 98.50 up from 98.04 the previous session and up from 93.85 the previous week. US pork export sales for the week ending March 25 came in at 61,009 tonnes, up from 38,701 the previous week and the highest they have been since February 25 and above the 4-week average of 42,606. Cumulative sales for 2021 have reached 840,507 tonnes, up from 814,288 a year ago and the highest on record. Cumulative sales moved above year ago levels two weeks ago and have been there since. The five-year average is 549,982 tonnes.

The largest buyer this week was China at 29,714 tonnes, followed by Mexico at 15,786. China has made the most purchases so far for 2021 at 242,837 tonnes, followed closely by Mexico at 242,012. China's purchases this week are their largest since September 10, 2020. The USDA estimated hog slaughter came in at 455,000 head Friday and 59,000 head for Saturday. This brought the total for last week to 2.470 million head, down from 2.544 million the previous week and down 4% from a year ago. Pork production for the week was down 2.9% from last year.

Actual US pork production for the week ending March 20 came in at 549.0 million pounds, down from 561.5 the previous week and down 8.9% from last year. Friday's Commitments of Traders report showed managed money traders were net buyers of 2,017 contracts of lean hogs for the week ending March 30, increasing their net long to 78,112. Non-commercial & non-reportable traders were net buyers of 4,832, increasing their net long to 87,981.

CATTLE:
June cattle closed lower on the session Thursday after posting a contract high which is a bearish technical development. Talk of the overbought condition of the market and ideas that futures are holding a strong premium to the cash market were seen as factors to limit the buying. The USDA boxed beef cutout was up $2.02 at mid-session Friday and closed $2.88 higher at $252.85. This was up from $237.66 the previous week and was the highest the cutout had been since June 8.

Cash live cattle ended last week on a firmer note, with prices about $2/cwt higher than the previous week. As of Friday afternoon, the 5-day, 5 area, weighted average price was 117.78, up from 115.49 the previous week. Average dressed steer weights for the week ending March 20 came in at 901 pounds, down from 904 the previous week but up from 898 a year ago. Weights normally decline at this time of the year. The 5-year average weekly weight for that week is 881.0. Beef production for the same week came in at 522.8 million pounds, down 4.3% from last year.

US beef export sales for the week ending March 25 came in at 18,741 tonnes, down from 18,872 the previous week and the lowest since February 18. The average of the previous four weeks is 22,074. Cumulative sales for 2021 have reached 441,226 tonnes, up from 351,783 last year at this time and the highest on record. The five-year average is 293,905. The largest buyer this week was Japan at 5,989 tonnes, followed by China at 5,897 and South Korea at 2,601. South Korea has the most commitments so far for 2021 at 121,118 tonnes, followed by Japan at 99,972, China at 64,617, and Hong Kong at 48,716.

The USDA estimated cattle slaughter came in at 105,000 head Friday and 33,000 head for Saturday. This brought the total for last week to 609,000 head, down from 649,000 the previous week and down 3.5% from a year ago. Beef production for the week was down 2.6% from last year. Friday's Commitments of Traders report showed managed money traders were net buyers of 3,682 contracts of live cattle for the week ending March 30, increasing their net long to 83,237. Non-commercial & non-reportable traders were net buyers of 6,473, increasing their long to 89,980.

COCOA:
The cocoa market has been weighed down during March and for much of the first quarter by ongoing concern over global near-term demand. As a new month and a new quarter begins, however, a more optimistic view that demand will eventually improve has helped cocoa prices to regain upside momentum. May cocoa built on early support and bounced back from a midsession pullback to finish Thursday’s trading session with a sizable gain. For the week, however, May cocoa finished with a loss of 66 points which was a fourth negative weekly result over the past 5 weeks.

A rally in US equity markets as well as recovery moves by the Eurocurrency and British Pound provided cocoa with carryover support as they may help to shore up near-term demand prospects in Europe and North America. European demand continues to be pressured by rising COVID case counts and fresh lockdown measures in several Euro zone nations. COVID vaccines are receiving wider distribution and usage in the US and should see that occur in the Euro zone as well by the end of this month. That should allow for more reopening and travel which in turn can lead to an uptick in chocolate consumption.

Mostly dry and warm weather in the forecast for West African growing areas through late this week also supported cocoa prices as that should have a negative impact on their upcoming mid-crop production. The decision by Ivory Coast official to make a sharp cut in their minimum purchase price for this season's mid-crop cocoa reflects the lukewarm demand seen so far this season, but keep in mind that their 2020/21 cocoa product exports through February were running 15% ahead of last season's pace.

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:
While coffee went into the holiday weekend on a downbeat note, the market continues to find support from bullish supply-side developments. While near-term demand remains subdued, the longer-term outlook is positive which can help coffee hold its ground early this week. May coffee initially was able to follow-through on Wednesday's positive reversal, but lost strength at midsession and went on to post a moderate loss for Thursday's trading session. For the week, May coffee finished with a loss of 6.90 cents which was a fourth negative daily result over the past 5 weeks.

The Brazilian currency fell back from an early 1-week high and lost more than 1.2% in value which was a source of carryover pressure on the coffee market as extended weakness in their currency will make Brazil's producers more aggressive with marketing their remaining coffee supply to foreign customers. The Brazilian government said that their March coffee exports came in at 241,589 tonnes (4.03 million bags), which was 24% above last year's total and indicates that there is residual supply from their 2020/21 "on-year" crop.

In contrast, Brazil's upcoming 2021/22 "off-year" is widely expected to have a sharp decline from this season. Brazil's largest co-op Cooxupe has forecast their growers will see their coffee production decline 32% from this season due to dry weather and very warm temperatures. Concerns over lukewarm European demand continue to weigh on coffee prices as ICE exchange coffee stocks rose by 2,470 bags on Thursday and 9.489 bags on Friday to reach a 10-month high. However, the Italian coffee retailer Lavazza expects that their 2021 revenues will at least reach 2019 levels as they expect consumption in restaurants, bars and offices to recover gradually.

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:

The technical action in cotton remains negative and the market looks vulnerable to remain in a short-term downtrend. However, the market is in an oversold condition, and the market still faces positive outside market forces. July cotton closed sharply lower on Thursday, after an outside day down the threatened to take out the previous week's three-month low. Apparently, the market got spooked by the disappointing export sales report. The report showed US cotton export sales for the week ending March 25 coming in at 78,337 bales for the 2020/21 (current) marketing year and 41,380 for 2021/22 for a total of 119,757. This was down from 340,569 the previous week and was the lowest weekly total since October 8. The 2020/21 sales number was the lowest since August 8, the first week of the marketing year.

However, it is important to keep in mind that two weeks before cotton export sales were the highest for the marketing year. Cumulative sales for 2020/21 have reached 14.577 million bales, down from 15.0145 million last year at this time but the second highest since 2010/11. The five-year average is 12.345 million. Cumulative sales have reached 102% of the USDA's forecast for the marketing year versus a five-year average of 93%.
China bought 13,544 bales for 2020/21, putting them in fifth place overall and fourth place for 2020/21. China has the most commitments for 2020/21 at 4.799 million bales.

China announced that a total of 2 million acres in the Xinjiang Uygur autonomous region will be harvested by machinery rather than by hand. This would represent 88% of production from the region. On Thursday, the China Cotton Association voiced its opposition to all restrictions imposed by US-led Western countries on cotton and cotton textiles from Xinjiang. The Chairman of the Pakistan Cotton Ginners Association stated that the boycott against Xinjian was groundless and politically motivated. The Pakistan cabinet has rejected a proposal to import cotton and sugar from India. Friday's Commitments of Traders report showed that showed managed money traders were net sellers of 5,056 contracts of cotton for the week ending March 30, reducing their net long to 54,135. Non-commercial & non-reportable traders were net sellers of 8,200, reducing their net long to 83,946.

SUGAR:

Sugar have received support from key outside markets over the past 2 1/2 weeks, but that has not been enough for prices to find their footing. Unless global markets find a “risk on” coming out of the holiday weekend, sugar prices are likely to remain on the defensive early this week. May sugar was unable to sustain early and midsession recovery moves as it finished Thursday’s trading session with a moderate loss. For the week, May sugar finished with a loss of 48 ticks which was a sixth negative weekly result in a row.

The Brazilian currency lost more than 1.2% in value after reaching a new 1-week high, and that pressured sugar prices going into the holiday weekend. In fact, the Brazilian government said that their nation’s March sugar exports came in at 1.975 million tonnes which was 28% above last year’s total. Many of Brazil’s Center-South mills are restarting their operations for the 2021/22 season, so an extended period of currency weakness will encourage mills to produce more sugar for exports.

India’s 2020/21 sugar production is running 19% ahead of last season’s pace through the end of March, which also weighed on sugar as that should offset a second season in a row with low production and exports from Thailand. After first receiving a go-ahead, Pakistan’s cabinet has put a hold on receiving sugar imports from India that could have helped to work down India’s sizable sugar stocks. Crude oil and RBOB gasoline prices had sizable rebound on Thursday, but were unable to climb above their recent consolidation zone. As a result, Center-South mills may need to see stronger energy prices to shift a large portion of their upcoming crushing from sugar to ethanol.

The March 30th Commitments of Traders report showed Sugar Managed Money traders net sold 11,741 contracts and are now net long 165,201 contracts. CIT traders were net long 236,591 contracts after decreasing their long position by 9,747 contracts. Non-Commercial No CIT traders net sold 9,265 contracts and are now net long 105,749 contracts. Non-Commercial & Non-Reportable traders net sold 18,836 contracts and are now net long 241,499 contracts.

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