ADM Investor Services, Inc.

Weekly Futures Market Summary

by the ADMIS Research Team
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BONDS:
Apparently, the primary focus of the treasury market is on Fed dialogue regarding their patience with inflation, but the bull camp was also assisted late last week by disappointing US retail sales and Michigan consumer sentiment readings. Just as is the case in the equity markets the treasury markets see the current condition as a "Goldilocks" environment where inflation and growth evidence will not easily boost rates. While treasury prices have forged 4-day highs to start the trading week, yields of euro zone bonds are fresh off multi month highs and both the US and Europe are moving back toward full reopening.

In fact, it would appear is if daily US infections this week could be the lowest since last June which preceded the 2nd wave of infections. On the other hand, recent US scheduled data has been mixed thereby stimulating buying of bonds and notes, especially after the markets were presented with multiple Fed members reiterating their intentions to let inflation rise. Evidence of the confidence of the bull camp was seen last week when the US posted one of the hottest inflation readings in several decades and Treasury prices basically ignored the news.

Furthermore, the bull camp remains undeterred despite a very poor 30-year bond auction last week. While the net spec and fund short in bonds has moderated, it remains near the largest net short since April 2006 which could result in periodic short covering rallies. Bond positioning in the Commitments of Traders for the week ending May 11th showed Non-Commercial & Non-Reportable traders are net short 184,499 contracts after net buying 10,137 contracts. T-Note positioning showed Non-Commercial & Non-Reportable traders net sold 2,222 contracts and are now net short 162,085 contracts.

CURRENCIES:
After holding near the 91.00 level for 48 hours the dollar index gave way and violated a series of key chart support levels late last week. With the dollar earlier last week lifted directly from a historically hot US PPI report, last Friday's sharp setback was justified by the Fed's insistence that inflation will be transitory. Furthermore, with equities throwing off optimism, money is likely to move to riskier currencies like the Swiss franc and euro.

The dollar has made a lower low for the move early this week and is approaching the lowest level since late February despite new activity restrictions in Asia and slightly disappointing Chinese retail sales. In other words, the market is discounting bullish influences and appears poised to return to 90.00. In our opinion, the dollar will see fleeting support following anything disappointing from US scheduled economic reports. The May 11th Commitments of Traders report showed Dollar Non-Commercial & Non-Reportable traders reduced their net long position by 338 contracts to a net long 5,005 contracts.

With the dollar showing signs of resuming last week's downside reversal, the 4-day high in the euro early this week was not surprising. Underpinning the euro is a measure of inflation from Italian CPI for April and from periodic evidence of the unwinding of activity restrictions throughout Europe. We do not detect a definitive risk on environment early this week and therefore the early gains in the euro might need to be confirmed by gains in US equities. Near term Euro positioning in the Commitments of Traders for the week ending May 11th showed Non-Commercial & Non-Reportable traders added 25,395 contracts to their already long position and are now net long 164,466.

While the Yen and the Japanese economy might be held back by fresh activity restrictions in Asia, Japanese producer price readings for April certainly showed signs of noted inflation at the factory gate in Japan. Adding into the upward track in the Yen is a Japanese machine-tool orders report for April that showed a gain of 120.8% (year-over-year comparisons are suspect due to the global lockdown). Like other countries, Switzerland posted hot producer and import price readings for April and the Swiss franc appears poised to return to and take-out the early May high in the coming trading sessions. Therefore, we see the potential for the Swiss to regain 1.120 this week.

While the gains in the Pound from last week's spike low have not been impressive, the bias is up in the currency with headlines touting the end of the most strenuous activity restrictions in the world in the UK. While it could take a while for the markets to see evidence of a pickup in activity from widespread reopening, the currency markets should factor in that potential with a return to at least 1.4167 in the June Pound. The Canadian dollar has not participated in the rally posted by other non-dollar currencies, with some traders indicating prices above 82.00 feel expensive. However, first dose AstraZeneca vaccinations were halted in certain areas of Canada last week and the Bank of Canada has expressed concern of lost exports due to the high exchange rate. Nonetheless, the Canadian has built a ledge of support above 81.95.

STOCKS:

While not a "perfect" storm, the equity market thinks US interest rates are going to hold at low levels and the economy will be allowed to gain significant momentum before the Fed removes the punch bowl. Therefore, it was not surprising to see stocks rally late last week in the face of disappointing scheduled data with the markets also benefiting from momentum-based buying following the key reversal yesterday. Global equity markets were mixed at the start of this week with Asian markets generally higher and European stocks trading weaker.

Economic news of importance early this week included a 17.7% gain in Chinese retail sales versus expectations for gain of 24.9%. Also out from China, industrial production for April matched projections for a gain of 9.8% which is down from the prior reading of a gain 14.1%. In the near term, soft US scheduled data is likely to further the idea that rates will remain low especially with the Fed seemingly coordinating its intention to be "steely eyed" as it stares down what appears to be the beginning of a cycle of rising inflation.

With the S&P sitting near last week's impressive recovery bounce highs, and bullish sentiment stoked by an AT&T deal to combine its media assets, the markets have some positive buzz. However, the net spec and fund long in the S&P rose sharply last week with the speculative long more than doubling. It should also be noted that the positioning report was immediately followed by a 112-point washout! As indicated already, the focus of this week's trade could be established early following the release of US scheduled data. In other words, we suspect bad US data will be good for stock prices. The Commitments of Traders report for the week ending May 11th showed E-Mini S&P Non-Commercial & Non-Reportable traders are net long 44,057 contracts after net buying 27,903 contracts.

While the Dow futures did not take out Friday's high in the early going today, prices sit near those high levels as if the bull camp will maintain an edge into the new week. The Dow should be assisted by news that Disney and another US amusement parks will see less restrictions which in turn allows for a return to normal just ahead of the very important summer travel window. Dow Jones $5 positioning in the Commitments of Traders for the week ending May 11th showed Non-Commercial & Non-Reportable traders went from a net long to a net short position of 1,118 contracts after net selling 2,015 contracts.

Significant volatility from cryptocurrencies, merger/buyout/realignment activity in media/content areas leaves the potential for significant volatility in the NASDAQ in place. However, it should be noted that the NASDAQ at times led last week's recovery bounce after seeing big tech and tech shares fall from favor throughout the 2nd half of April. We see a critical pivot point in the June NASDAQ, but selling could be limited given that the spec and fund accounts were "net short" the NASDAQ as of early last week. The Commitments of Traders report for the week ending May 11th showed Nasdaq Mini Non-Commercial & Non-Reportable traders net bought 8,089 contracts and are now net short 16,228 contracts.

GOLD, SILVER & PLATINUM:
Gold and silver prices started the new week out firm with gold forging an upside breakout and climbing toward its 200-day moving average up at $1,862.90. While Chinese retail sales readings were a little disappointing, there was news that April Chinese crude steel output hit a record and signs of inflation are popping up throughout Chinese manufacturing industries, and therefore the markets start the week out with inflation news. While the dollar is not notably lower it appears to have extended its downward track from last week and that bullish outside market force is amplified by slight declines in US treasury yields. However, demand news from India is as negative as feared as Indian jewelers have apparently stopped buying and that softness in demand is verified as the Indian gold price discount has widened to $3.00 versus only $2.00 for ounce last week.

On the other hand, it should be noted that Hong Kong and Singapore have gold premiums as high as $1.80 and $2.00, respectively. All things considered, the gold and silver markets forged noted gains last week despite periods of strength in the dollar and periodic rising rate pressures and that highlights a broadening bull case. However, the Federal Reserve was very consistent in their suggestions of patience with respect to "removing the punch bowl" at the first sign of inflation. On the other hand, World Gold

Central bank holdings in March (the latest monthly reading) posted their largest net inflow (173.4 tonnes) since November of 2009. Apparently, Hungary added 63 tonnes to their holdings in March but have been building their reserves over the prior months. It should also be noted that Japanese holdings in March increased by 80.8 tonnes, but that only partially offsets the threat against Indian demand.

On the other hand, broad-based reflationary action in energies and (until recently) grain prices, a weakening dollar and extreme volatility in cryptocurrencies suggest that speculative interest toward gold and silver could be expanding. In fact, the month of May trading volume has reached the highest level since early January and the June gold contract could be gunning for the 200-day moving average up at $1,862.90 early this week. The last time the gold market regained the 200-day moving average, prices rallied a further $140. With the low to high correction last week of $38 and a relatively small net spec and fund long positioning compared to the last 11-months, the gold market should have the technical capacity to test $1,900 ahead. Gold positioning in the Commitments of Traders for the week ending May 11th showed Managed Money traders net bought 29,452 contracts and are now net long 95,585 contracts. Non-Commercial & Non-Reportable traders added 33,256 contracts to their already long position and are now net long 241,574.

Clearly, the silver charts are nowhere as bullish as the gold charts, with prices last week generally forging lower highs and lower lows on a decline in open interest and trading volume. Those looking for long entry pricing for July silver should consider using a stop at the 200-day moving average. Given how far down our suggested long stop out price is traders should be reserving buy orders until prices dip below $26.70. The May 11th Commitments of Traders report showed Silver Managed Money traders are net long 47,823 contracts after net buying 4,397 contracts. Non-Commercial & Non-Reportable traders net bought 5,423 contracts and are now net long 75,873 contracts. Last week, gold ETFs increased their holdings by 567,394 ounces, while silver ETF holdings were reduced by 391,400 ounces.

Last week, palladium ETF holdings increased by 7,900 ounces while platinum ETF holdings increased by 22,626 ounces. While the palladium market last week saw a low to high dive of $202, the market saw trading volume fall off on the washout suggesting long profit taking instead of fresh short selling. From a positioning perspective, the net spec and fund long in palladium is relatively benign but considering the relatively small amount of trading volume and open interest in the market, there is an undertone of rich pricing. However, extremely strong Chinese auto sales data, a rapid opening up of the US economy and reduction of restrictions in Europe should help underpin prices well above last week's lows. Those looking to get long probably need to use stop prices below $2,797. The May 11th Commitments of Traders report showed Palladium Managed Money traders net sold 317 contracts and are now net long 4,111 contracts. Non-Commercial & Non-Reportable traders were net long 3,681 contracts after decreasing their long position by 197 contracts.

Like the palladium market, the platinum market also suffered a hard washout last week of $81 and prices have returned to, respected and recoiled from the even number $1,200 level. However, the market should draft support from the World Platinum Investment Counsel report that indicated that the world platinum market would see its deficit expand with the Council pegging the deficit this year at 158,000 ounces. The prior forecast from the WPIC previously projected a global deficit of only 60,000 ounces. On the other hand, last year the global platinum market had a deficit of 863,000 ounces which was the biggest deficit ever! Unfortunately for the bull camp, the net spec and fund long positioning in platinum is relatively high compared to the last 14 months, but ongoing macroeconomic optimism and the reopening of Europe should help facilitate improving auto catalyst demand from diesel vehicle manufacturing. The middle of the trading range is now seen at $1,241 and the top of the trading range seen up at $1,273. The Commitments of Traders report for the week ending May 11th showed Platinum Managed Money traders reduced their net long position by 564 contracts to a net long 19,772 contracts. Non-Commercial & Non-Reportable traders net bought 20 contracts and are now net long 37,966 contracts.

COPPER:

Despite signs that China is growing irritated with surging material prices and have threatened to restrict production to thwart speculators, steel prices posted record levels on record production. While Chinese retail sales were disappointing, Chinese April industrial output increased by 9.8% relative to estimates of 10% and that report provides fodder for ongoing strong Chinese copper demand. Another supportive development that has failed to support copper prices is news that workers in Chile have voted to reject a contract offer from BHP, which in turn increases the threat of a Chilean supply disruption. In our opinion, the inability to get a wage deal will result in an arbitration period that might not disrupt production immediately.

In retrospect, we see the correction from last week as a very significant junction for the copper market. It would appear as if the 24/7 bullish Chinese copper demand theme is seriously in question following signs that the Chinese government might step in to squelch surging material prices like copper. Furthermore, it should be noted that both LME and Shanghai copper warehouse stocks jumped at the end of last week. In the near term, copper traders should monitor the ebb and flow of iron ore and steel prices closely as an intervention by the Chinese government could turn a-number-of physical commodity markets down hard. The Commitments of Traders report for the week ending May 11th showed Copper Managed Money traders net sold 5,388 contracts and are now net long 61,033 contracts. Non-Commercial & Non-Reportable traders were net long 59,219 contracts after decreasing their long position by 5,593 contracts.

ENERGY COMPLEX:

With the gasoline market flaring aggressively on the upside and crude oil forging minimal gains, it-is-clear that the focus of the energy complex is the Colonial product pipeline shutdown. Apparently, analyst suggest that widespread fuel shortages in the US could be seen if the pipeline remains shut for 4 to 5 days. Another supportive development for US crude is a report that significant amounts of crude is moving towards Europe with the recent slide in the dollar potentially giving US exporters a slight price edge. However, India appears to be moving toward a nationwide lockdown and that could make the demand loss from India even more severe than was expected. Fortunately for the bull camp, the US crude oil supply deficit to year ago figures leaves supply generally tight, especially considering that recent US export data has been very strong.

In fact, seeing the US dollar extend on the downside again this week should make US exports even more attractive to the world. While the net spec and fund long in crude oil is reaching overbought positioning, we would not count out additional speculative buying activity. In fact, the trade has been presented with a 32% decline in global floating storage this morning. The May 4th Commitments of Traders report showed Crude Oil Managed Money traders added 12,158 contracts to their already long position and are now net long 384,436. Non-Commercial & Non-Reportable traders added 15,925 contracts to their already long position and are now net long 602,743. In conclusion, with a slight correction at the end of last week and fears of more dramatic reductions in Indian oil imports, the pipeline shutdown could be the deciding factor on price direction this week. Last week, the Baker Hughes rig operating count posted a gain of 2 rigs in the US and a gain of 2 rigs in Canada.

With the gasoline market late last week showing a high to low correction of $0.10 and the shutdown of the largest US fuel pipeline, the gasoline market should be the leadership market early this week. According to officials the pipeline will need to be shut down by more than 2 or 3 days to be a significant impact on supply, but the pipeline moves more than 2.5 million barrels of fuel every day or about 45% of all fuel consumed on the East Coast. As in the crude oil market, the US gasoline supplies remain tight relative to year ago levels into the biggest demand season of the year. With the seasonal demand increase likely magnified by surging "opening up" demand, gasoline prices could surge above $2.23. In fact, depending on the duration of the pipeline shutdown, it is possible that speculative craziness could send prices much higher than would be expected.

On the other hand, significant buying off the pipeline shutdown will likely be challenged suddenly when the pipeline reopens. Fortunately for the bull camp, the net spec and fund long in gasoline remain surprisingly low considering the amount of gain in prices from last November. The Commitments of Traders report for the week ending May 4th showed Gas (RBOB) Managed Money traders were net long 69,330 contracts after increasing their already long position by 5,900 contracts. Non-Commercial & Non-Reportable traders net bought 8,988 contracts and are now net long 70,451 contracts. The diesel market will also be impacted by the pipeline problem with some airports (Atlanta the largest US airport) heavily reliant on jet fuel through the system. We see critical support in diesel at $1.98 and expect prices to rally until a reopening time for the pipeline is set. Heating Oil positioning in the Commitments of Traders for the week ending May 4th showed Managed Money traders added 1,108 contracts to their already long position and are now net long 19,515. Non-Commercial & Non-Reportable traders are net long 28,794 contracts after net buying 424 contracts.

The US pipeline shutdown is unlikely to have a direct impact on the natural gas market this week. However, the potential for strong Chinese purchases of natural gas were improved last week my stellar Chinese trade figures. Unfortunately for the bull camp, the US weather outlook shows three fourths of the US with normal to above normal temperatures out to midmonth with below normal temperatures isolated on the West Coast. The weekly Baker Hughes gas drilling rig count increased by 7 making the rigs operating the highest since March 2020. Canadian gas rigs also increased by 2 with 38 rigs operating.

Natural Gas positioning in the Commitments of Traders for the week ending May 4th showed Managed Money traders added 16,480 contracts to their already long position and are now net long 50,584. Non-Commercial & Non-Reportable traders were net short 30,060 contracts after decreasing their short position by 5,628 contracts. We favor the bear view to start the trading week as natural gas has once again faltered at $3.00 prices and has forged 8 days of consolidation just under that level. Furthermore, the net spec and fund short in natural gas has been brought down significantly thereby reducing the potential for stop loss buying. We would also note that the natural gas market lacks a definitive bullish theme capable of bringing prices above what has been extremely thick resistance ($3.00) since last September.

BEANS:
July soybeans closed sharply higher on the session Friday and into new contract highs, reaching a peak of 1599 1/2 and trading up to the highest level since October 2012. November soybeans also closed sharply higher on the day and posted new contract highs for the second session in a row. With the continued strong advance in corn, buyers turned active for meal and July meal pushed up to the highest level since January 20. Palm oil stockpiles in Malaysia rose 7.1% to 1.55 million tonnes in April from a month earlier. Weather and profitability are the key factors that affect planting decisions between late winter up until the crops are in the ground. The largest increase in soybean plantings was in 2014 with a gain of 3.346 million acres. May 2014 Soybeans rallied from $12.50 in early February to $15.32 by the end of April, significantly increasing the incentive to plant beans.

Looking at the supply/demand setup for soybeans in 2021/22, adding 1.5 million acres to planted area and using a trend yield of 50.8 bushels per acre could put ending stocks at 142 million bushels and result in a stocks/usage ratio of 3.2% stocks. If yield comes in at 50.2 bushels (the same as last year), ending stocks could fall to 91 million bushels with a 2% stocks/usage ratio. For the May USDA supply/demand report on Wednesday, the average pre-report estimate for US soybean 2021/22 ending stocks is 133 million bushels with a range of 110-200 million. The average estimate for 2020/21 (old crop) ending stocks is 118 million bushels (105-130 million range), versus 120 million estimated last month. Traders expect new crop soybean yield to come in at 50.9 bushels per acre, up from 50.2 last year.

World 2021/22 ending stocks are expected to come in at 89.4 million tonnes (78.7-100 million range). Old crop ending stocks are expected at 86.7 million tonnes (84.6-90.1 million range) versus 86.9 million in the April update. If the corn crop in Brazil continues to shrink, meal usage could increase around the world. For the week, November soybeans gained 93 3/4 cents. Updated weather forecasts sparked aggressive buying at midday on Friday led by meal and corn. In Argentina, there seems to be active harvest and good producer selling and Brazil is also seeing better activity. Very aggressive meal buying was noted on the board on Friday and traders will monitor the cash markets closely to see if cash follows futures. Meal is the cheap protein compared with many alternatives and should find some support, but the US cash markets remain very soft.

The May 4th Commitments of Traders report showed managed money traders reduced their net long position by 5,215 contracts to a net long 174,799 contracts. Non-Commercial & Non-Reportable traders were net long 201,438 contracts after decreasing their long position by 11,040 contracts. This is a long liquidation selling trend. For soyoil, managed money traders were net long 87,505 contracts after decreasing their long position by 5,082 contracts for the week (also long liquidation). Non-Commercial No CIT traders net sold 7,638 contracts and are now net long 49,670 contracts. For meal, managed money traders are net long 54,150 contracts after net buying 64 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 4,030 contracts to a net long 109,862 contracts. There were 14 contracts delivered against May soybeans overnight which pushed cumulative deliveries to 380. There were two meal contracts delivered and zero oil.

CORN:
The corn market closed sharply higher on the session Friday and closed higher each day last this week to reach the highest level since March of 2013. Dryness in Brazil is bringing the crop size down every day that it does not rain. There is talk that the Brazil crop could fall to as low as 85 million tonnes, or down 24 million from the last USDA estimate, if there is no rain for the rest of the month. This seems unlikely but Brazil has entered the dry season and it cannot be ruled out.

Brazil's second (Safrinha) corn crop had the slowest planting in a decade and has been hurt by the driest April in over two decades. In the Brazilian state of Parana, the percentage of the corn crop in good condition has fallen from 92% to 62% in the space of two weeks! The market remains extremely overbought but found strength from news that China bought 1.36 million tonnes of US corn. Exporters also announced a sale of 188,468 tonnes of US corn sold to unknown destination.

The largest increase in corn plantings (from the USDA Prospective Plantings reports in late March to the Planted Acreage reports in late June) was in 2007 with a gain of 2.434 million acres. For the 20 years in which the estimate increased, the average gain was 851,000 acres. With the strong price gains since February, we expect corn plantings to be revised higher by near 2.5 million acres. With cumulative US export sales so strong, we would expect the USDA to raise its export forecast in upcoming reports. This would lower beginning stocks for the new crop season.

Adding 2.5 million acres to planted area and using a trend yield of 179.5 bushels per acre (which would be a record), ending stocks could come in near 1.343 billion bushels, with a relatively tight stocks/usage ratio of 8.9%. Even with a record increase in acreage, the market will need a record yield to hold ending stocks near current levels. If yield comes in at 172 bushels per acre (the same as last year), ending stocks could fall to 702 million bushels and result in a stocks/use ratio of 4.6%, a record low. If yield reaches the same as two years ago at 167.5 bushels per acre, ending stocks could slide to 317 million bushels.

For Wednesday's USDA supply/demand report, the average trade estimate for US corn 2021/22 ending stocks is 1.327 billion bushels (1.100-1.622 billion range). Old crop ending stocks are expected to come in at 1.275 billion bushels (1.135-1.361 billion range), down from 1.352 billion in the April report. New crop yield is expected to come in at a record 179.4 bushels per acre (range 176-182), up from 172 in 2020/21. Corn production is expected at 15.029 billion bushels versus 14.182 billion in 2020/21. Brazil's production is estimated at 103.2 million tonnes (99-106.5 million range) versus 109 million in April.

World ending stocks for 2020/21 are expected at 279.4 million tonnes, (range 275.0-285.3 million) versus 283.9 million tonnes in the April update. For the new season, ending stocks are expected to come in around 284 million tonnes. The Commitments of Traders report for the week ending May 4th showed managed Money traders reduced their net long position by 6,115 contracts to a net long 372,548 contracts which is a long liquidation selling trend. Non-Commercial No CIT traders added 18,933 contracts to their already long position and are now net long 354,564.

WHEAT:
The wheat market remains in a short-term downtrend and the weather forecast for the next two weeks would suggest improving crop conditions for many weeks ahead. The USDA report last week showed a hefty global supply, and the market seems to lack a major weather problem for key exporting countries.

Traders continue to monitor the situation in the northern Plains, but there is rain in the forecast and there has also been talk of some issues in the Black Sea region, but nothing too serious. July wheat closed higher on the session Friday but well off of the early highs with an inside trading day. The market closed 54 1/2 cents lower on the week (down 7.1%) as improving weather which points to improving crop conditions in the US helped to pressure. A decent recovery for European milling wheat futures helped to provide some support.

The weekend rains and more rain for this week were seen as a bearish development witch recharges solid moisture. The 6-10 day forecast models still show above normal precipitation for the Dakotas. The 8-14 day forecast models also show above normal precipitation for the eastern two-thirds of the Dakotas. The bounce Friday was somewhat impressive given a sharp break in the corn market. Heavy rain, gales and hail in some wheat-growing regions have damaged crops at a critical grain filling stage, China's Agriculture Ministry said in a statement over the weekend. There are 20 days left before large-scale harvest of summer grains.

Wheat positioning in the Commitments of Traders for the week ending May 11th showed managed money traders are net long 13,033 contracts after net buying 2,310 contracts for the week. Non-Commercial No CIT traders were net short 25,949 contracts after increasing their already short position by 6,226 contracts in just one week. Non-Commercial & Non-Reportable traders were net long 19,705 contracts after decreasing their long position by 4,324 contracts. For KC wheat, managed money traders are net long 31,999 contracts after net selling 2,001 contracts for the week. Non-Commercial & Non-Reportable traders are net long 29,720 contracts after net selling 2,189 contracts.

HOGS:
June hogs remain in a short-term downtrend and closed sharply lower on the session Friday and this left the market down near 435 points (down 3.8%) for last week. The selling pushed the market down to the lowest level since April 30. Short-term cash news still carries a positive tilt, but traders remain concerned over the possibility of a taper-off for China pork demand as their pork supply grows.

The USDA pork cutout released after the close Friday came in at $113.52, down 78 cents from $114.56 on Thursday but up from $111.70 the previous week. The CME Lean Hog Index as of May 12 was 110.94, down from 110.95 the previous session but up from 108.55 the previous week. Friday's Commitments of Traders report showed managed money traders were net sellers of 225 contracts of lean hogs for the week ending May 11, reducing their net long to 71,352. Non-commercial & non-reportable traders combined were net sellers of 3,356, reducing their net long to 76,547.

China's national average spot pig price as of May 17 was down 1.7% from the previous day. For the month, prices are down 14.9% and down 46.7% year to date. This suggests that production is on the rise and import demand may begin to decline. The USDA estimated hog slaughter came in at 461,000 head Friday and 14,000 head for Saturday. This brought the total for last week to 2.395 million head, down from 2.408 million the previous week but up from 2.134 million a year ago. Estimated US pork production for the week ending May 15 came in at 518.1 million pounds, down from 522.5 the previous week but up from 468.9 a year ago.

CATTLE:
June cattle closed down 82 points for the week last week. The market tested the $115 level but found support as traders see the strong trend in the beef market and the discount to the cash market as positive forces. The USDA boxed beef cutout was down 64 cents at mid-session Friday but closed 16 cents higher at $316.94. This was up from $305.88 the previous week and was the highest the cutout had been since June 2. Some areas of the country saw firm cash live cattle trade on Friday in moderate volume, in line with the trend for the week.

In Nebraska 1,094 head traded at 119-122 with an average price of 120.13, up from 118.42 the previous week. As of Friday afternoon, the 5-day, 5-area weighted average price was 119.73, up from 118.26 the previous week. Strength in the beef market could support a firm tone to cash this week. August cattle traded lower on the session Friday but managed to bounce off of a test of Thursday's low. The USDA estimated cattle slaughter came in at 115,000 head Friday and 62,000 head for Saturday. This brought the total for last week to 640,000 head, up from 638,000 the previous week and 519,000 a year ago.

The average estimated dressed cattle weight for the week ending May 15 came in at 826 pounds, down from 828 from the previous week and 827 a year ago. The 5-year average weekly weight for that week is 803.8. Friday's Commitments of Traders showed managed money traders were net buyers of 6,080 contracts of live cattle for the week ending May 11, increasing their net long to 54,945. Non-commercial & non-reportable traders were net buyers of 6,938, increasing their net long to 71,862.

COCOA:
Cocoa was unable to shake off a volatile trading pattern last week as the ebb and flow of key outside markets have kept near-term demand concerns in a front and center position. The longer-term demand outlook remains positive, however, and there have been some bullish supply-side developments that can help cocoa remain fairly well supported on near-term pullbacks this week. July cocoa followed through on Thursday’s negative daily reversal as it was unable to overcome early pressure as it finished Friday’s trading session with a moderate loss. For the week, however, July cocoa finished with a gain of 11 points which was a second positive weekly result in a row.

A sizable rebound in the Eurocurrency as well as upside follow-through from US equity markets provided cocoa with carryover support as they should benefit near-term cocoa demand in both regions. In addition, the sharp rally in US stock markets late Friday could lead to knock-on buying in Asian and European equities that can provide cocoa prices with early carryover support during today’s action. Several European nations have already open for tourism without a quarantine while many others will do the same by the end of the second quarter, and this uptick in travel should lead to a significant boost in European chocolate consumption.

In addition, reports that power disruptions may reduce Ivory Coast cocoa processing by 50% provided additional support to the cocoa market. A sizable portion of those cocoa beans will be exported to grinders in Europe, Asia and North America which in turn may help to boost their region’s grinding totals during the third and fourth quarters this year. Many West African growing areas will have rainfall in the forecast on most days through the middle of next week, but daily rain totals are unlikely to reach above 0.25 inch until early next week.

Cocoa positioning in the Commitments of Traders for the week ending May 11th showed Managed Money traders net bought 9,195 contracts which moved them from a net short to a net long position of 8,293 contracts. CIT traders net bought 471 contracts and are now net long 31,758 contracts. Non-Commercial No CIT traders are net short 4,274 contracts after net buying 4,440 contracts. Non-Commercial & Non-Reportable traders are net long 24,253 contracts after net buying 6,237 contracts.

COFFEE:

Since reaching a contract high during the first week of May, July coffee has only had 1 positive daily result over the past 6 sessions and lost more than 10 cents (down 6.7%) in value. Although near-term European demand concerns have weighed on the market, coffee continues to have a bullish global supply outlook that can help the market find its footing this week. July coffee held its ground above Thursday's 1-week low, but could not sustain a recovery move as it finished Friday's inside-day trading session with a moderate loss. For the week, July coffee finished with a loss of 7.90 cents (down 5.2%) which broke a five week winning streak.

A mild rebound in the Brazilian currency helped the coffee market to rally at midsession, as continued strength in their currency will ease pressure on Brazilian producers to market their coffee to foreign customers. Brazil's 2021/22 Arabica harvest is now underway and in spite of shipping container issues, that should lead to an uptick in Brazilian exports over the next month which weighed on prices going into the weekend. Brazil's south Minas Gerais growing region has dry weather in the forecast through early next week, which at this point in the season will aid in the harvesting and drying of coffee beans.

ICE exchange coffee stocks fell by 1,500 bags on Friday, which was their first daily decline since mid-April as they remain close to last Thursday's 13-month high. Most of those coffee stocks are located in Euro zone warehouses, and reflect subdued demand in the regions. Although several European nations are relaxing their COVID restrictions, France and Netherlands will start to do so over the next few weeks while Germany remains in lockdown status. As a result, Euro zone restaurant and retail shop coffee consumption may not see an uptick until the third quarter.

Coffee positioning in the Commitments of Traders for the week ending May 11th showed Managed Money traders added 2,103 contracts to their already long position and are now net long 41,343. Coffee CIT traders hit a new extreme long of 79,230 contracts. CIT traders added 797 contracts to their already long position and are now net long 79,230. Non-Commercial No CIT traders are net long 34,663 contracts after net buying 794 contracts. Non-Commercial & Non-Reportable traders are net long 63,866 contracts after net buying 1,339 contracts.

COTTON:

Rain coming to west Texas has turned the outlook for cotton bearish and has sparked some heavy long liquidation. After almost a year of dry conditions, the unirrigated regions of west Texas are finally starting to see chances of substantial rainfall. During the 24-hour period ending Sunday at 6:00 AM, Lubbock saw as much as 1.5 inches and over the last seven days, most of the region has seen anywhere from 0.5 to 2 inches. However, more is needed to restore soil moisture to normal levels.

The 6-10 day outlook has most of Texas with above normal chances of precipitation, with the 8-14 day showing most of the state normal. Factors that could reverse the selloff would be a drop in planted acreage due to switching to soybeans and corn or a resumption of a dry weather concerns in Texas. Neither of these seem imminent, with the recent rains and the next acreage update not until June 30. It will be interesting to see if the weekly US Drought Monitor on Thursday will show any substantial improvement in conditions.

Friday's Commitments of Traders report showed speculators exiting their long positions across the board. The report showed managed money traders were net sellers of 2,252 contracts of cotton for the week ending May 11, reducing their net long to 55,923. Non-commercial, no CIT traders were net sellers of 1,840, reducing their net long to 56,891. Non-commercial & non-reportable traders were net sellers of 1,356, reducing their net long to 87,590. As the data was collected last Tuesday ahead of the steep selloff later in the week, we suspect the current net longs are substantially lower than what was shown in the reports.

SUGAR:

Sugar’s Wednesday/Friday downdraft has taken prices more than 1.2 cents (down 7%) below their contract highs as bearish demand developments rattled an overbought market. While these demand-side issues may be a source of headwinds, sugar has bullish supply factor that can help prices find their footing early this week. July sugar rallied sharply during the first 30 minutes of trading, and then fell back on the defensive for the rest of the day as it finished Friday’s trading session with a moderate loss. For the week, July sugar finished with a loss of 53 ticks (down 3.0%), which broke a five week winning streak and was a negative weekly key reversal.

A rebound in energy prices provided early carryover support to the sugar market, and that combined with a mild gain in the Brazilian currency which is holding in close proximity to 3 1/2 month highs seen earlier in May. However, reports that Brazilian fuel retailers have requested that their government reduce the percentage of ethanol to be blended into Brazilian gasoline weighed on the sugar market going into the weekend. Crude oil and RBOB gasoline prices are currently at levels seen during the 2018/19 and the 2019/20 season when sugar’s share of Center-South crushing did not rise above 36%. The Unica second half of April report showed sugar with a 44.5% share of crushing over that timeframe, which is close to last season’s 46.1% overall share.

Central South domestic ethanol sales have come above last year’s levels during March and April, but the latest Unica report indicates that higher energy prices may not be enough to shift a large portion of crushing over to ethanol. India’s domestic sugar consumption may be negatively impacted by their surge in new COVID cases, while several of their ports have declared “force majeure” as their operations were impacted by COVID. Tropical Research Services lower their 2021/22 global production surplus forecast from 5.18 million down to 2.48 million tonnes, and increased their 2020/21 global production deficit forecast from 2.07 million up to 3.75 million tonnes.

Sugar positioning in the Commitments of Traders for the week ending May 11th showed Managed Money traders were net long 259,721 contracts after increasing their already long position by 9,254 contracts. CIT traders net bought 3,039 contracts and are now net long 244,714 contracts. Non-

Commercial No CIT traders were net long 193,572 contracts after increasing their already long position by 13,286 contracts. Non-Commercial & Non-Reportable traders are net long 366,721 contracts after net buying 25,560 contracts.

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