ADM Investor Services, Inc.

Weekly Futures Market Summary

by the ADMIS Research Team
May 24, 2021

BONDS:
June Bonds ended last Friday higher after trading to their highest level since May 11. They also closed higher on the week but confined to the consolidation of the past four weeks. The market drew some support on lowered expectations for this week's jobs reports, with Dallas Fed President commenting that businesses are still having difficulty finding workers, limiting the amount of positions getting filled. Despite strength in global equities, metals and energies treasuries are tracking higher early this week with treasury bonds reaching a 9 day high albeit with a very narrow range.

The US economic report slate at the start of this week was nearly empty with the Chicago Fed national activity index the only item on the docket. Prices are likely drafting ongoing support from comments from the Dallas Federal Reserve's Kaplan who indicated hiring issues could make the May employment situation report "unusual". While it is possible that May non-farm payrolls will register a huge gain, the economy severely disappointed expectations last month and as the Dallas Fed president indicated, many companies were unable to hire people because of competition with unemployment and supplemental payments.

An issue that is probably providing a thin measure of buying interest is a suggestion from a Senate Republican indicating a narrow window to complete an infrastructure deal. In other words, the lack of another stimulus package certainly takes selling pressure down a notch in treasuries. While it is nearly impossible to guess the actions and timing of actions from the Chinese government, any attempt to diffuse high input prices will likely lift US treasury prices back toward the early May highs. Even if equities continue to grind out gains we suspect bonds will maintain an upward track with recent choppy/mixed data leaving open the potential for return to recent April/May consolidation highs.

Bonds positioning in the Commitments of Traders for the week ending May 18th showed Non-Commercial & Non-Reportable traders were net short 175,792 contracts after decreasing their short position by 8,707 contracts. While we see the upward track in notes to start the new trading week, resistance is much closer in at 132-21 but in the event that equities severely falter and or there is broad-based commodity price liquidations notes could return to its consolidation high pricing at 132-24. In the T-Notes market Non-Commercial & Non-Reportable traders were net short 167,448 contracts after increasing their already short position by 5,363 contracts.

CURRENCIES:
After being poised for a break below its February lows, the June Dollar Index reversed course last Friday and moved back to higher on the day. The dollar may have garnered support by a stronger than expected Markit Manufacturing PMI, which came in above April's all-time highs, as that lent support to ideas the Fed will be moved to start tapering sooner. On the other hand, expectations for this week's jobs data are slipping, as employers continue to complain about a lack of available workers. While the dollar has managed to consolidate after a tremendous slide early in the month, fundamentals continue to sit in favor of the bear camp.

With reports that China was cracking down on crypto mining businesses and given extensive volatility in crypto currency's it is possible that the dollar is being viewed as an alternative flight to quality instrument. In the current setup, we see the dollar inversely related to equity market action and would expect to see a retest of consolidation low support. The May 18th Commitments of Traders report showed Dollar Non-Commercial & Non-Reportable traders were net long 5,496 contracts after increasing their already long position by 491 contracts.

In our opinion, the euro needed some balancing of its overbought condition into last week's highs and the currency has likely achieved that with 4 days of back and forth range trade. While US daily infection numbers appear to be on their way down to a lower plateau, one gets the feeling the world trade is beginning to view prospects in Europe as very positive post pandemic. The Commitments of Traders report for the week ending May 18th showed Euro Non-Commercial & Non-Reportable traders are net long 175,284 contracts after net buying 10,818 contracts.

The Yen has also settled into a sideways chop over the prior 4 trading sessions and will likely breakout of that range at some point this week. However, global data released at the start of the week was thin and the US report slate was equally devoid of key information and that could keep the Yen in a range bound by 92.12 and 91.48. Despite other non-dollar currencies showing consolidation action, the Swiss franc maintain a solid bullish set up with the uptrend channel intact and the view of a coming end to the pandemic, benefiting the Swiss franc more than almost any other currency.

The bias in the British pound is down to start with near term targeting seen down at 1.4097. However in the event of risk off sentiment from equities and or anything concerning from the virus front, the Pound could see a further decline down to 1.40. The Canadian dollar appears to be coiling into a tight range potentially setting up for a trend decision in the coming sessions. In our opinion, the path of least resistance technically and fundamentally remains up and we would remain bullish toward the currency as long as it manages to respect support at 82.61.

STOCKS:
US equity markets were mixed last Friday, with the S&P and Dow seeing mild support and the NASDAQ under mild pressure as US economic data came in mixed. May Markit US "Flash" manufacturing PMI came in at 61.5, a record high and counter to expectations for it to come in slightly lower than the previous record of 60.1 in April. Composite PMI came in at 68.1, also a record. The previous record was 63.5 in April. April Existing Home Sales fell 2.7% in April to a seasonally adjusted, annualized rate of 5.85 million units. This marked the third straight month of declines, but it was attributed to tight supply, not low demand. Global equity markets at the start of this week were mostly higher with gains typically

running less than 0.5%. Despite significant volatility in crypto currencies (which can signal overall market anxiety), the bull camp appears as if it has entered a new trading week with a slight edge.

Unfortunately for the bull camp, we do not see the type of event on the docket early this week to suggest risk on sentiment will be stoked and 3 week highs will be forged. While there has not been evidence of active Chinese market operations to force down material prices, the mere attempt to do so could be a major bullish tonic for stocks as that would tamp down global inflation and leave central bankers confident in their desire to be supportive for as long as possible. The net spec and fund long in the E-mini S&P is building and would likely be overbought and problematic after prices rise above 4200.00. The Commitments of Traders report for the week ending May 18th showed E-Mini S&P Non-Commercial & Non-Reportable traders net bought 43,572 contracts and are now net long 87,629 contracts.

The Dow futures also appear to be poised to grind out slow and gradual gains. In our opinion, the Dow is set to see step wise gains on the charts. Obviously, General Motors is unusually impacted by surging material prices (as our number of other large companies) and therefore seeing China "talk down" material prices should help increase profitability for companies in the Dow. A small added measure of bullishness was seen from a story suggesting General Motors has improved its relations with suppliers dramatically which in our mind indicates they paid on time. The Commitments of Traders report for the week ending May 18th showed Dow Jones $5 Non-Commercial & Non-Reportable traders were net short 2,607 contracts after increasing their already short position by 1,489 contracts. After substantial gains last week and a consolidation around 13,500 the NASDAQ appears to be poised to settle into a range defined as 13,500 to 14,000. However extreme volatility in crypto currencies over the weekend is a slight undermine to the tech laden NASDAQ. The May 18th Commitments of Traders report showed Nasdaq Mini Non-Commercial & Non-Reportable traders were net short 12,007 contracts after decreasing their short position by 4,221 contracts

GOLD, SILVER & PLATINUM:
The question for the gold and silver trade to start the new week is what the focus of the trade will be, with last week's focus ending on concern that the Chinese government may be poised to "intervene and deflate" industrial material prices. Certainly the action in the currency markets remains a potential supportive issue that could rescue the bear camp in the event last week's downside volatility in recent highflying industrial material prices, resumes in earnest. However, it will take a decline in the Dollar index below Friday's downside breakout low to give the bull camp a definitive currency lift for gold and silver prices. In the current condition, gold and silver benefited last week from the idea that the Fed is not quite ready to begin to pare bond buying but it could take a rise above 157-26 in June bonds to provide gold and silver with fresh low rate buying wave.

Surprisingly, the net spec and fund long positioning in gold and silver remains moderately long despite substantial 2-month gains in gold prices of $220, with silver in the same period gaining $5.50 and not puffing up its spec long significantly. The May 18th Commitments of Traders report showed Gold Managed Money traders net bought 11,311 contracts and are now net long 106,896 contracts. Non-Commercial & Non-Reportable traders net bought 10,696 contracts and are now net long 252,270 contracts. The May 18th Commitments of Traders report showed Silver Managed Money traders are net long 46,529 contracts after net selling 1,294 contracts. Non-Commercial & Non-Reportable traders were net long 77,239 contracts after increasing their already long position by 1,366 contracts. Going forward, we see gold and silver prices tracking in-sync with equity prices and leave the bull camp with a distinct edge due to the uniform nature of the uptrend patterns in place since March.

Obviously, the June palladium contract broke down aggressively through a key psychological level of $2,800 last Friday, but given the highest trading volume on breaks since February 21st, it would appear as if the bear camp has seized control. In fact, the market failed to garner support from a UBS forecast last week of a 1 million ounce global deficit with particular note of a 10-year chain of world deficits in that forecast analysis! Apparently, UBS thinks that the significant spread difference between palladium and platinum is now resulting in substitution! Despite the significant washout in palladium last week, UBS remains bullish with a rally to $3,100 predicted in the 2nd half of 2021.

The May 18th Commitments of Traders report showed Palladium Managed Money traders are net long 4,019 contracts after net selling 92 contracts. Non-Commercial & Non-Reportable traders were net long 3,198 contracts after decreasing their long position by 483 contracts. Not surprisingly, the July platinum contract also broke down significantly on Friday and has temporarily broken the back of the bull camp. Platinum positioning in the Commitments of Traders for the week ending May 18th showed Managed Money traders net sold 2,302 contracts and are now net long 17,470 contracts. Non-Commercial & Non-Reportable traders were net long 36,919 contracts after decreasing their long position by 1,047 contracts.

COPPER:

While we do not think the copper market is a primary target of the Chinese government in their threats to dampen inflation, all physical commodities (in particular metals) are vulnerable. Fortunately for the bull camp, the latest copper positioning report did not show a burdensome net spec and fund long and given that the market since the report fell $0.23, the spec positioning should now be mostly balanced already. From a long-term perspective, world production of copper could be reduced in the event that Chile passes restrictions on mining near glaciers.

The Chilean government was already moving to impose significant new royalties on the mining industry, and therefore Chilean production is under threat from both political and economic perspectives. Copper positioning in the Commitments of Traders for the week ending May 18th showed Managed Money traders are net long 51,936 contracts after net selling 9,097 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 7,192 contracts to a net long 52,027 contracts.

ENERGY COMPLEX:

There were a number of bearish forces combining to keep pressure on crude oil prices to start this week, but instead crude is showing a noted range up move. First and perhaps most importantly, the market is watching China for any signs that they will purposefully foster liquidation sentiment throughout many physical commodity markets. A major supply-side negative looming in the market recently is Iran's optimism of a quick end to nuclear sanctions and their capacity to increase production and exports after those limitations are removed. Seeing Iran present an extra 400,000 to 600,000 barrels per day would obviously increase the bull camps need to get hard evidence of improving demand.

However, crude oil prices are likely benefiting from a Goldman Sachs forecast predicting $80 oil (even with a return of Iranian supply) and the markets are also benefiting from news world floating crude supply declined by 9.4% last week. An important outside market impact on crude oil prices early this week will be the status of risk on/risk off market sentiment as prices "need" strong demand prospects to rise further. The US daily infection rate on Friday was 27,596 with the 7 day moving average the lowest since June 15th of last year. Similar declines in European infections and "opening up" in Europe certainly provides extra demand cushion for pricing. Fortunately for the bull camp, the last positioning report showed a moderate net spec and fund long and that positioning is likely overstated due to the slide of $4 from the report mark off price.

Crude Oil positioning in the Commitments of Traders for the week ending May 18th showed Managed Money traders net sold 12,399 contracts and are now net long 347,829 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 23,317 contracts to a net long 579,674 contracts. With July crude oil rejecting last week's lows into the close Friday and leaving a quasi-double low in place we see critical pivot point support at $61.95 to start the week but any return to broad-based risk off/broad commodity market selling could put prices temporarily below $60.00. This week's Baker Hughes rig operating count showed an increase of 4 rigs putting the total at 412 in operation.

We think the gasoline market has a bullish demand surprise ahead, as the full reopening of the US pushes up gasoline consumption as people "bust out of isolation". Furthermore, the northern hemisphere is nearing the kickoff of the 2021 summer driving season with the first "summer" holiday driving weekend looming ahead. In retrospect, the bull camp has justification for its case with year-over-year gasoline stocks deficits in the US maintaining and at times expanding with implied gasoline demand last week strong and the refinery operating rate sitting with nearly 14% of US capacity idled. In other words, demand continues to improve at the same time that supply appears to be stagnant or only creeping higher.

In addition to the net spec and fund long position being fairly moderate given the proximity to $2.20 in July gasoline, the market since the positioning report mark off has declined by 11.5 cents and therefore long positioning is overstated to start the week. In the event of broad-based risk off market action, a test of levels just below $2.00 is possible this week. Gas (RBOB) positioning in the Commitments of Traders for the week ending May 18th showed Managed Money traders are net long 67,923 contracts after net buying 483 contracts. Non-Commercial & Non-Reportable traders were net long 70,021 contracts after increasing their already long position by 273 contracts.

Like the rest of the energy complex, the diesel market ended last week with a series of lower lows and lower-highs which leave the bear camp with a technical edge to start the new trading week. However, US TSA airport security checkpoint numbers increased to 1.8 million last Friday but were still 900,000 below year ago passenger counts. Certainly classic supply and demand fundamentals provide cushion to prices but any sign of risk off to begin the new trading week could easily throw July diesel down to $1.91. The May 18th Commitments of Traders report showed Heating Oil Managed Money traders added 2,145 contracts to their already long position and are now net long 24,454. Non-Commercial &

Non-Reportable traders added 15,512 contracts to their already long position and are now net long 46,753.

While the natural gas market severely damaged its charts last week and has already seen a high to low washout of $0.29, we are hesitant to suggest the market is oversold or "sold out" yet. In fact, the natural gas trade has shown a preference for a moderately large net spec and fund short positioning (at times above 100,000 contracts) and while the net short in this week's report is small the market since the report mark off date has declined by $0.13. Natural Gas positioning in the Commitments of Traders for the week ending May 18th showed Managed Money traders are net long 59,975 contracts after net buying 6,217 contracts. Non-Commercial & Non-Reportable traders were net short 40,278 contracts after increasing their already short position by 1,981 contracts.

Even fundamentals are bearish with a recent report documenting a softening of US LNG supply flow to export terminals. The Baker Hughes gas rig drilling report on Friday showed a decline of one rig leaving North American rigs operating at a relatively low level. From a technical perspective, the $3.00 level was breached definitively at the end of last week projecting the next target at $2.908 and then again down at $2.898. We give the edge to the bear camp with severe chart damage and a lack of fresh bullish issues leaving the market vulnerable to more range down action. From a longer-term trend perspective, the natural gas market will have to show signs of a pickup in industrial electricity demand and some type of severe heat wave in the northern hemisphere.

BEANS:
Weather remains near ideal, and Covid issues globally continue to worsen in spots which is hampering demand. Palm Oil has its biggest weekly loss in nearly two months as the market looks to the resurgence of Covid issues. Australia's canola harvest may exceed last year's record of 4.28 million tonnes as strong prices have encouraged farmers to plant more land. Estimated area sown to canola has increased 25% to just under 2.9 million hectares. Total harvest could reach 5.3 million tonnes this year assuming 2020 yields.

The longer-term soybean fundamentals remain decidedly bullish but short term corrections cannot be ruled out with traders monitoring planting progress and weather. These "short term" corrections can be aggressive at these price levels. Even though weather looks beneficial now in the US, we have a long way to go and will face weather issues again over the cycle. Meal faces many challenges on both the supply front and demand side for the foreseeable future as we not only crush for oil but also expand capacity.

Where will all this meal go if we are having a hard time now? Meal basis is weak. With renewables/refinery projects coming on line, we will need more crush capacity to fill demand and this will take time. Until we have that or some other solution that is simply not available now, oil supply will remain tight and meal excess will be around. November soybeans close moderately lower on the session Friday and the selling pushed the market down to the lowest level since May 4.

Continued weakness in the soybean oil market plus more talk of near ideal weather for a good start to the crop in the Midwest helped to pressure. For the week, November soybeans closed down 40 1/4 cents. Even if we somehow find an additional 1.5 million acres, a five year average yield would still leave ending stocks at just 136 million bushels, a 3.1% stocks/usage. In other words, the market is in need of record type yields in order to avoid extreme tightness for the new crop season.

Traders continue to wait for China to emerge as a buyer of new crop US soybeans but China continues to purchase US corn but they have been quiet in the soybean market recently. Traders are inching up their production forecast for Brazil as yield ended up better than expected. The May 18th Commitments of Traders report showed Soybeans Managed Money traders net sold 25,238 contracts for the week and are now net long 152,584 contracts. This is an aggressive long liquidation selling trend.

CIT traders are net long 180,410 contracts after net selling 7,159 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 42,992 contracts to a net long 164,745 contracts. For soyoil, managed money traders were net long 83,220 contracts after decreasing their long position by 2,630 contracts. For Soymeal, managed money traders are net long 50,845 contracts after net selling 18,771 contracts for the week. Non-Commercial & Non-Reportable traders are net long 112,909 contracts after net selling 23,129 contracts in just one week.

CORN:

A good weather forecast plus a long liquidation selling trend are forces keeping the short-term trend down. The corn market is attempting to find a near term floor, and has held key support levels in the past week. China has bought well over 10 million tonnes of US corn in the past few weeks, and the market is trying to absorb the smaller Brazil crop. While the USDA last pegged the Brazil crop at 102 million tonnes, most traders see the crop near 90 million tonnes due to severe dryness early this month. This is a loss of 472 million bushels and Brazil corn prices remain very strong.

If we assume 500 million bushels better demand for the US balance sheets (both old crop and new crop), and we see a yield of 172 bushels per acre (same as last year), then US ending stocks for the new crop season come in near 773 million bushels with a 5.1% stocks/usage which would be the second tightest year on record. Basis levels in the US were firm late last week. The rally in ethanol prices has helped keep corn usage high, and livestock prices are also relatively high. Seven grain ships were stranded in Argentina's export hub of Rosario and will need to be towed out of the port. These ships were loaded with more produce than could be carried out of the ports shallow waters. Barge traffic has been snarled by the 48 hours strike last week, and dockworkers are threatening another 48 hour strike this week.

December corn closed lower on the session Friday with an inside trading day. With near ideal weather for the Midwest and ideas that the Brazil crop has stabilized with some rain helped to pressure. For the week, December corn closed 3 3/4 cents higher. The Commitments of Traders report for the week ending May 18th showed managed money traders reduced their net long position by 25,311 contracts to a net long 291,025 contracts. CIT traders were net long 426,138 contracts after increasing their already long position by 11,530 contracts. Non-Commercial & Non-Reportable traders are net long 388,328 contracts after net selling 50,509 contracts.

WHEAT:
The wheat market remains in a steep short-term downtrend as the crop conditions are improving, and the short-term forecast has more rain for Kansas plus plenty of coverage for South Dakota and parts of North Dakota. The 6-10 day forecast calls for slightly warmer than normal conditions and above normal precipitation and the 8-14 day forecast models show wet weather in the central and southern Plains, and some dry conditions for the Dakotas. This leaves the weather as a bearish force. Egypt is tendering for wheat on the world market and traders will monitor the situation closely into the midday today. Ukraine wheat prices have pushed lower over the past week with talk of improved crop weather forecasts for key growing areas. July wheat closed lower for the fifth session in a row on Friday but managed to bounce well off the lows into the close. The selling pushed the market down to the lowest level since April 21. News of very high yield potential for the Kansas wheat crop plus talk of a good rain across the Dakotas helped to pressure. The sharp selloff has left the market somewhat oversold.

For the week, July wheat closed down 33 cents or 4.7% lower. The Kansas Crop Tour pegged yield at 58.1 bushels per acre, which is the highest projection in tour records dating back to the year 2000. The five year average tour yield is 43.1 bushels per acre in the current USDA 2021 Kansas yield estimate is 48 bushels per acre. After recent rains, crop conditions are expected to improve. The May 18th Commitments of Traders report showed Wheat Managed Money traders are net long 14,040 contracts after net buying 1,007 contracts for the week. CIT traders added 1,996 contracts to their already long position and are now net long 161,811. Non-Commercial & Non-Reportable traders net sold 1,862 contracts and are now net long 17,843 contracts. For KC wheat, Managed Money traders net sold 5,899 contracts for the week and are now net long 26,100 contracts. Non-Commercial & Non-Reportable traders were net long 22,905 contracts after decreasing their long position by 6,815 contracts.

HOGS:
The hog market remains in a steep uptrend and some contracts experienced upside breakout on Friday to drive futures to the highest level since August 2014. Continued strong demand signals plus continued seasonal decline in supply are factors which have helped to support. The USDA pork cutout, released after the close Friday, came in at $118.84, up from $117.55 on Thursday and $113.52 the previous week. The CME Lean Hog Index as of May 19 was 111.44, down from 111.62 the previous session but up from 110.94 the previous week. June hogs closed sharply higher on the session Friday and the buying pushed the market up to the highest level since May 7. The continued strong advance in pork values has helped boost packer profit margins and this should support a continued advance in the cash markets this week.

In addition, the export pace has stayed strong in spite of concerns that China might back away from the market during the second half of the year. The USDA estimated hog slaughter came in at 463,000 head Friday and 32,000 head for Saturday. This brought the total for last week to 2.393 million head, down from 2.395 million the previous week but up from 2.173 million a year ago. Friday's Commitments of Traders report showed managed money traders were net buyers of 2,609 contracts of lean hogs for the week ending May 18, increasing their net long to 73,961. Non-commercial, no CIT traders were net buyers of 3,887, increasing their net long to 49,836. Non-commercial and non-reportable traders combine were net buyers of 3,382, increasing their net long to 79,929.

CATTLE:
The Cattle on Feed Report Friday was considered bearish across the board, as placements, marketing and on-feed numbers all came in at the bearish end of expectations. Placements for the month of April were 127.2% of last year, which was well above the average estimate of 120.7% and even above the highest estimate at 123.7%. This is particularly bearish for the deferred contracts. Marketings in April were 132.8% of last year, which was slightly below the average guess of 133%. The April 1st on-feed number was 104.7% of last year, above the average estimate of 103.7% but within the expected range. This is negative for the nearby contracts. As dramatic as these numbers seem, they are being compared to last year when the whole sector was topsy-turvy due to Covid, so the reaction to this report could be limited.

The USDA boxed beef cutout closed 99 cents higher at $325.17. This was up from $316.94 the previous week and was the highest the cutout had been since June 1, 2020. It has increased for ten straight sessions and in 24 out of the last 25. June cattle closed sharply higher on the session Friday and the buying pushed the market up to the highest level since May 13th. For the week, the market closed up 237 points. The strong advance in the box beef values should help support the cash market this week. Demand factors look very strong but traders are still concerned that beef demand might back away after Memorial Day bookings are complete. Cash live cattle trade was quiet on Friday, with 127 head trading at 119-120 and an average price of 119.31. This was down from an average of 120.32 the previous week, but the general trend last week was steady with the week before.

As of Friday afternoon, the 5-day, 5-area weighted average price was 119.62 versus 119.73 the previous week. The USDA estimated cattle slaughter came in at 119,000 head Friday and 78,000 head for Saturday. This brought the total for last week to 669,000 head, up from 640,000 the previous week and 572,000 a year ago. Average estimated dressed cattle weights for the week ending May 22 came in at 825 pounds, down from 826 from the previous week and unchanged from 825 a year ago. The 5-year average weekly weight for that week is 803.0. Estimated beef production for the same week came in at 550.7 million pounds, up from 470.5 million a year ago. Friday's Commitments of Traders report showed managed money traders were net buyers of 3,336 contracts of live cattle for the week ending May 18, increasing their net long to 58,281. Non-commercial & non-reportable traders combined were net buyers of 2,355, increasing their net long to 74,217 contracts.

COCOA:
Cocoa finished last week by breaking a 3-session losing streak, but that was not enough to avoid a negative weekly reversal from last Monday’s 9-week high. If global risk sentiment remains sluggish coming out of the weekend, cocoa is likely to remain on the defensive. July cocoa was able to shake off early and midsession pressure to finish Friday’s trading session with a moderate gain. For the week, however, July cocoa finished with a loss of 18 points (down 0.7%) and its first negative weekly result in 3 weeks. A positive finish to the week for European equity markets and the Dow Jones index provided carryover support to offset weakness in the Eurocurrency and British Pound going into the weekend.

Near-term demand prospects remain subdued with many nations still in COVID lockdown mode. Several European nations should relax their restrictions and reopen their borders by the end of the second quarter, and that should result in a sizable uptick in chocolate consumption. Starting on Tuesday, there is rainfall in the forecast for many West African growing areas on most days through the middle of next week, although only one day may have rain come in above 0.25 inch while daily high temperatures will reach above 90 degrees Fahrenheit.

As a result, more rainfall will be needed for the late-harvested mid-crop cocoa production in many areas. Cocoa stocks are being worked down at Ivory Coast farms and co-op as demand continues to increase, and along with early mid-crop output should keep the market fairly well supplied through the end of the second quarter. On the other hand, Ivory Coast and Ghana cocoa processors have seen power disruptions over the past few weeks that have reduced their grindings output by more than 40%. This could result in some of those beans heading towards grinders in Europe, Asia and North America to be processed.

The Commitments of Traders report for the week ending May 18th showed Cocoa Managed Money traders added 10,179 contracts to their already long position and are now net long 18,472. CIT traders are net long 35,041 contracts after net buying 3,283 contracts. Non-Commercial No CIT traders went from a net short to a net long position of 344 contracts after net buying 4,618 contracts. Non-Commercial & Non-Reportable traders were net long 29,856 contracts after increasing their already long position by 5,603 contracts.

COFFEE:

Coffee prices had a downbeat finish to last week's trading as they were unable to climb above Tuesday's 2-week high over the following 3 sessions. The market continues to receive bullish supply news that have underpinned prices, so coffee can regain upside momentum and climb up into new high ground if global risk sentiment can regain a positive tone. July coffee shook off early pressure and rallied through midsession, and then fell back on the defensive to finish Friday's trading session with a moderate loss. For the week, however, July coffee finished with a gain of 5.10 cents (up 3.5%) which was a sixth positive weekly result over the past 7 weeks. The Brazilian currency lost more than 1.4% in value on Friday and reached a new 2-week low, which was a major source of carryover pressure on the coffee market.

Extended currency weakness could encourage Brazil's producers to market their remaining old-crop coffee as the new-crop harvest begins. However, Brazil is widely expected to see a sharp decline in coffee production from last season, with the USDA estimating Brazil's 2021/22 coffee crop at 56.9 million bags which compares to a record 69.9 million bags last season. Colombia continues to see supply disruptions with some projecting 600,000 bags are unable to be exported while shipments of Colombian coffee to the US have been delayed by up to 5 weeks. The USDA forecast Colombia's 2021/22 coffee crop at 14.1 million bags (versus 14.3 million during the 2020/21 season) and Vietnam's 2021/22 crop at 30.8 million bags (versus 29.0 milling during the 2020/21 season).

ICE exchange coffee stocks rose by 14,215 bags on Friday and are now more than 113,000 bags above their April month-end total. The May 18th Commitments of Traders report showed Coffee Managed Money traders are net long 41,249 contracts after net selling 94 contracts. CIT traders were net long 78,980 contracts after decreasing their long position by 250 contracts. Non-Commercial No CIT traders were net long 35,346 contracts after increasing their already long position by 683 contracts. Non-

Commercial & Non-Reportable traders were net long 63,380 contracts after decreasing their long position by 486 contracts.

COTTON:
Overflow selling from grain markets helped to pressure the cotton market at the start of this week's trading. December cotton closed higher on Friday but well off the highs of the day. Recent rainfall in Texas has eased concerns about dry conditions in west Texas, and the 6-10 and 8-14-day forecasts call for normal to above normal rainfall in the region. However, a dry trend for the southeastern US in the 6-10-day forecast has raised concerns about conditions there.

Still, this week's US Drought Monitor showed dry conditions in only isolated areas in the southeast, specifically eastern North Carolina and northeastern South Carolina, so the effects of a week-long dry spell may be limited. Friday's Commitments of Traders report showed managed money traders were net sellers of 9,408 contracts of cotton for the week ending May 18, reducing their net long to 46,515. Non-commercial & non-reportable traders were net sellers of 12,172, reducing their net long to 75,418 contracts.

SUGAR:
After 2 days of tight coiling price action, sugar has broken out to the downside and is more than 1.50 cents below the May 12th multi-year high. Although it continues to be pressured by key outside markets, sugar has a bullish supply outlook that can help to underpin prices early this week. July sugar started out under pressure and reached a new 3-week low as it finished Friday's trading session with a sizable loss. For the week, July sugar finished with a loss of 29 ticks (down 1.7%) which was a second negative weekly result in a row following a 5-week winning streak.

The Brazilian currency broke out of its consolidation zone and reached a new 2-week low, which pressured the sugar market as that may encourage Brazil's Center-South mills to produce more sugar for the global export marketplace. A rebound in crude oil and RBOB gasoline lifted both energy markets off of 3-week lows, but that was not enough to offset a slumping Brazilian Real. Brazil's Center-South cane-growing areas will have daily rainfall in the forecast starting on Thursday. Although those daily rainfall totals will remain light, that precipitation should benefit cane that is harvested later in the season.

There is a growing consensus that Center-South 2021/22 production will decline by at least 5% from the 2020/21 season due to drier than normal conditions since last season. However, a sustained increase in rainfall should help Center-South cane production avoid a 10% decline that some analysts have forecast. The India government decision to reduce their subsidy for sugar exports is unlikely to prevent their nation from reaching a government export target of 6 million tonnes, but it may reduce exports beyond that total until international prices climb back above their May highs.

The May 18th Commitments of Traders report showed Sugar Managed Money traders reduced their net long position by 20,790 contracts to a net long 238,931 contracts. CIT traders reduced their net long position by 11,450 contracts to a net long 233,264 contracts. Non-Commercial No CIT traders net sold

17,654 contracts and are now net long 175,918 contracts. Non-Commercial & Non-Reportable traders are net long 337,500 contracts after net selling 29,221 contracts.

Please contact us at 1.877.690.7303 or via email at sales@admis.com for any questions or comments on this report or would like more information about ADMIS research.

Follow ADMIS on Social Media