ADM Investor Services, Inc.

Weekly Futures Market Summary

by the ADMIS Research Team
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BONDS:
Last Friday's European data included a stronger than expected UK construction PMI and a weaker than forecast Euro zone retail sales reading. The main event of the day was the latest US jobs data which showed a 14-month low in unemployment, but also had non-farm payrolls come in well below trade forecasts for a second month in a row. Canadian unemployment had a minimal uptick as expected while US factory orders had a larger than forecast decline. Treasuries climbed up to 1-week high and went on to post solid gains for Friday's trading session. As is usually the case, treasury prices forged a 2nd day of reaction to the monthly nonfarm payroll report which came in softer than expected. In fact, chatter over the weekend suggests the Fed likely saw the report as a positive but not enough to begin tapering talks.

In the action early this week, prices are likely to calm down from the initial downside setback, with the US economic report slate devoid of reports at the start of this week. In a potential longer-term negative, the markets saw foreign holdings of Chinese bonds hit a record for the month of May as that could show a migration from US treasuries and other sovereign bonds to Chinese bonds. In retrospect, the Chinese import export report (Imports up 39.5% month over month) generally showed the economy growing but perhaps not as fast from some views. On the other hand, exports on a month over month basis came in softer than expected but still at 18.1% gain.

While the most recent COT report showed the net spec and fund "short" fall 28,460 contracts last week the market since the report has rallied one half points after the report was compiled. However, the net spec and fund short remains historically large and that leaves open the potential for technical short covering buying perhaps on a trade above 158-00. The Commitments of Traders report for the week ending June 1st showed Bonds Non-Commercial & Non-Reportable traders net bought 28,460 contracts and are now net short 149,210 contracts. For T-Notes Non-Commercial & Non-Reportable traders are net short 140,748 contracts after net selling 18,274 contracts.

CURRENCIES:
The Dollar fell back on the defensive and finished Friday's trading session with a moderate loss. Weaker than expected readings for non-farm payrolls and factory orders pressured the Dollar as they could make the Fed hold off on potential tapering measures. On the other hand, the British Pound regained upside momentum following a positive result for UK construction PMI. While the dollar obviously

benefited from the disappointing US nonfarm payroll report, it has traded near the lower end of the large Friday range, as if the payroll report was a fleeting support.

On the other hand, trade chatter suggests that speculative traders are backing away from short dollar positions, perhaps because prices recoiled from a 2-month downtrend channel resistance line, but also because of beliefs that the US economy will begin to post better data given the rapid reopening. Therefore, we suggest a sell rallies mentality with sellers lucky if they can sell at a price of 90.40. Dollar positioning in the Commitments of Traders for the week ending June 1st showed Non-Commercial & Non-Reportable traders added 444 contracts to their already long position and are now net long 5,829.

While the euro may remain under pressure due to the shift in sentiment in favor of the dollar, we suspect the 1.210 level is very solid as support. While German factory order data in April on a year-over-year basis jumped by 78.9% factory orders on a month over month basis fell by 0.2%. In favor of the bull camp is a Spanish industrial output reading for April which jumped 48.2% on a year-over-year basis. We see the Euro bull trend resuming, but not early this week. The June 1st Commitments of Traders report showed Euro Non-Commercial & Non-Reportable traders are net long 186,323 contracts after net buying 2,743 contracts.

While the upside breakout in the Yen was not significant, we think the Yen has bottomed and could soon become a "recovery currency", with the Yen extremely cheap relative to the post subprime crisis period. However, those getting long the Yen probably need stops placed below 90.65. The corrective track continues in the Swiss with the pattern of lower highs stretching to 4 days and a lack of positive vibe toward "recovery currencies" overall. We do not think the uptrend in the Swiss is complete but any fresh long positions should be established closer to 1.10 than to 1.11.

While we see the consolidation action in the Pound over the prior 30 days as a sign of value around and above 1.4085. Halifax house price readings for May divergent on the year-over-year and month over month readings thereby leaving the Pound trade without fresh fundamental news. Obviously, critical support could be tested early this week. Like the Pound, we see the Canadian building a base or shelf from which it should eventually launch into a higher high trade. In the meantime, the market is underpinned by the theory that the Bank of Canada will remove stimulus quicker than the US.

STOCKS:
Global markets were able to shake off early pressure and regain a positive tone midway through last Friday's trading session. The Fed's Mester said that it was a solid employment report, but she wants to see further progress while President Biden said that the US government will take steps on supply chain issues over the coming weeks. US equity rallied after the US data releases and went on to post moderate gains.

Global equity markets at the start of this week were mixed with gains and losses insignificant. It appears as if the market has recovered from the early lows, and that could be the result of a landmark G-7 corporate tax deal. In a slightly positive sign, Google has agreed to change its advertising practices following a fine from France.

While the market showed initial weakness, the S&P was within 9 points of an all-time high. It would appear as if Google and Apple have acquiesced on some regulatory problems and business practices and that should remove one negative that has been dogging the market for weeks. From a technical perspective, the E-mini-S&P net spec and fund long remains very modest relative to history, with new highs expected. Mini S&P positioning in the Commitments of Traders for the week ending June 1st showed Non-Commercial & Non-Reportable traders were net long 105,985 contracts after increasing their already long position by 9,756 contracts.

We were somewhat surprised with the Dow's ability to track positive at times in the face of news that the G-7 is pushing toward a mandatory minimal global corporate tax rate. However, it-is-clear that the equity markets have shifted into a pattern where "bad economic data is a positive for the market". The big question for the stock market bull camp today is whether-or-not the $4 trillion infrastructure spending bill gains traction and in turn offsets the negative sentiment generated by the nonfarm payroll under shoot. Dow Jones $5 positioning in the Commitments of Traders for the week ending June 1st showed Non-Commercial & Non-Reportable traders reduced their net short position by 3,091 contracts to a net short 3,202 contracts.

We were surprised in the NASDAQ's ability to remain near last Friday spike up move, in the face of building dialogue on a global digital services tax. However, Amazon has indicated they will create 3,000 new jobs this year in Italy and therefore tech companies appear to be poised to resume their global reach. Nasdaq Mini positioning in the Commitments of Traders for the week ending June 1st showed Non-Commercial & Non-Reportable traders added 1,114 contracts to their already short position and are now net short 23,387.

GOLD, SILVER & PLATINUM:

Volatility looks to extend into the new trading week with a-number-of media reports indicating that while gold is a good hedge against higher rates and ballooning sovereign debt, bitcoin is "better". However, the bitcoin trade has massive trading volatility and is still in its evolution stage, at-the-same time that China might crackdown significantly on cryptocurrencies. Treasury Secretary Yellen in an interview over the weekend indicated that the president should press forward on a $4 trillion infrastructure bill, even if it creates inflation with other analyst/fund managers indicating that higher interest rates could be positive to the US economy as that would give more income to those relying on fixed income investments. On the other hand, the G7 is pushing for a digital services tax and a higher/uniform global corporate tax rate agreement.

China indicated that their gold reserves increased by 7.5% on a month over month basis and increased by 9.9% on a year-over-year basis. Currently China reportedly owns $119 billion worth of gold! Obviously, the initial reactions in gold and silver prices to the US nonfarm payroll report were overdone and perhaps contrary to the recent fundamental focus in the precious metal complex. In retrospect, a 2nd downside "miss" in nonfarm payrolls ultimately shook out as a major positive, as we suspect the hard dive corrected the gold market and removed a moderate portion of weak handed longs. However, with seeing US Treasury yields rise and the dollar bouncing early this week, outside market forces clearly favor the bear camp.

Unfortunately for the bull camp, spot demand reportedly softened in both Shanghai and India adding slightly into the initial bear tilt. For now, we see gold and silver benefiting from the "Fed put" which should be even more prevalent after the Friday disappointment in the headline nonfarm payroll reading, but also because of the upcoming Fed meeting. Keep in mind that the Federal Reserve chairman indicated that they would begin to discuss tapering after "several" robust gains in non-farm payroll readings. Therefore, the Fed discussions of tapering are pushed further into the future and gold and silver should see one less headwind. On the other hand, average hourly earnings increased and average hourly earnings on a year-over-year basis increase by 2% and therefore the threat of inflation remains but on a backburner.

Unfortunately for the bull camp, investment flows toward gold and silver remain disjointed and that lack of investment interest is mirrored in both India and China where spot gold prices have drifted into a discount versus world prices. In fact, at the end of last week Indian gold dealers were demanding the largest discount since last September! From a technical perspective, the gold market had already liquidated its net spec and fund long positioning by 240,000 contracts (more than 25% from record high levels) and the high to low washout last week of $64 should have brought the net spec and fund long down even further.

The Commitments of Traders report for the week ending June 1st showed Gold Managed Money traders were net long 129,846 contracts after increasing their already long position by 2,943 contracts. Non-Commercial & Non-Reportable traders are net long 271,514 contracts after net buying 150 contracts. In conclusion, the gold market enters the new trading week with its fundamental and technical condition improved, but in need of signs that inflation is beginning to gain a foothold on the Fed. Like the gold market the silver market has likely leveled its spec and fund long with last week's high to low washout of $1.67. The June 1st Commitments of Traders report showed Silver Managed Money traders were net long 42,529 contracts after decreasing their long position by 2,765 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 603 contracts to a net long 74,266 contracts.

While the palladium market lost its bullish dominance early last month, the corrective slide was justified given a softening of global economic psychology. However, the markets were presented with Chinese import and export data for May, but the data was offsetting. We suspect that palladium has balanced its technical condition and removed a large amount of weak handed longs with the May high to low washout of $260. Palladium positioning in the Commitments of Traders for the week ending June 1st showed Managed Money traders added 411 contracts to their already long position and are now net long 3,833. Non-Commercial & Non-Reportable traders were net long 3,298 contracts after increasing their already long position by 692 contracts.

However, the palladium market has seemingly settled into a downtrend pattern and those getting long the market might have to place stops below the quadruple low at $2,734. The platinum market severely damaged its charts at the end of last week and despite-the-fact that the market from the May high has already seen a correction of $136, the net spec and fund long position remains burdensome to prices. Platinum positioning in the Commitments of Traders for the week ending June 1st showed Managed Money traders added 513 contracts to their already long position and are now net long 15,074. Non-Commercial & Non-Reportable traders were net long 35,209 contracts after increasing their already long position by 1,264 contracts.

COPPER:
While the weaker than expected US nonfarm payroll reading provides a cushion to copper prices, the main event is likely to be Chinese import/export data for May. Unfortunately for the bull camp Chinese unwrought copper imports declined on a month over month basis and may reportedly the result of record high pricing. From the supply-side of the equation, production continues at a BHP facility in Chile (the world's largest deposit of copper) despite the strike, with an initial proposal for labor offered at the end of last week. Going forward, a certain amount of hardline negotiating expected from the unions is expected regardless of the terms offered by the company. From the demand side of the equation, the markets last week saw evidence that copper smelting activity recovered further last month, and we suspect China will be buying more refined copper than refining onshore due to pollution control efforts.

In fact, recently a copper industry player predicted that Chinese smelting activity would soon hit its "peak". With Shanghai copper warehouse stocks pulling back away from the highest levels since July 2019 following the decline in stocks last Friday, supply issues are bearish but mitigated slightly. From a technical perspective, the copper market has significantly balanced a sustained overbought net spec and fund long positioning, with the May to June high to low break of $0.46! Copper positioning in the Commitments of Traders for the week ending June 1st showed Managed Money traders reduced their net long position by 6,316 contracts to a net long 27,615 contracts. Non-Commercial & Non-Reportable traders net sold 4,621 contracts and are now net long 32,531 contracts.

ENERGY COMPLEX:
The crude oil market continues to be a slow-moving freight train moving higher with the energy markets benefiting from the not too hot, not too cold US nonfarm payroll result. With crude oil prices this year up $21 per barrel and the global economy muddling its way to recovery, one wonders how far prices would have run if pent-up demand from the lockdowns was as concentrated and robust as predicted. On the other hand, the press over the weekend reported that funds were moving back into energies in a sign that inflation interest/trading oil is on the rise again. Another supportive development was seen with reports that crude oil in floating storage coming in 47% lower than year ago levels! Yet another positive was seen from the world's largest oil trader (VITOL) who suggested that OPEC plus will be able to control the oil market with US production still below pre-pandemic levels and demand recovering enough to absorb recovering OPEC+ supply. Unfortunately for the bull camp, TSA security checkpoint travel numbers remain under 2 million per day and that leaves summer jet fuel demand in question.

Certainly, the net take-away from the US nonfarm payroll report is supportive of commodities as the numbers were indicative of ongoing recovery but not strong enough to foster concern of rising rates. With an OPEC plus advisory panel last week indicating they would follow through with June and July production increases, that could offer some headwinds to prices, but the trade is already aware of those intentions. From a technical perspective, the crude oil market has shown very uniform uptrend action and appears poised to breakout above the psychological $70 level. While the most recent COT positioning report for crude oil showed a moderate net spec and fund long, crude oil futures remain 216,000 contracts below the record spec and fund long. The Commitments of Traders report for the week ending June 1st showed Crude Oil Managed Money traders are net long 382,239 contracts after net buying 16,384 contracts. Non-Commercial & Non-Reportable traders added 19,600 contracts to their already long position and are now net long 595,553. Last week the Baker Hughes oil rig operating count was unchanged following a month of builds, but we suspect that more rigs will be pressed into service with crude oil prices reaching $70 per barrel.

Like the crude oil market, the gasoline market has shown a very uniform uptrend pattern since the major May washout low of $2.0322. However, the market has risen above a critical $2.20 price level and with summer air travel not showing signs of picking-up, it is possible that "driving vacations" will be in vogue. Furthermore, a-number-of large companies are requiring a return to on-site work and a continued return toward normal commuting is expected. In other words, it is possible that weekly US implied gasoline demand readings will post all-time highs at some point in the coming month! However, the refiners have steadily boosted refinery operating rates and therefore improvement in demand is necessary to extend recent gains on the charts. Surprisingly, the net spec and fund long position in gasoline remains relatively low despite the 2021 gain in prices of $0.70! The June 1st Commitments of Traders report showed Gas (RBOB) Managed Money traders were net long 61,215 contracts after decreasing their long position by 779 contracts. Non-Commercial & Non-Reportable traders are net long 65,997 contracts after net buying 2,940 contracts.

While the latest COT report certainly understates the size of the net spec and fund long (because of gains after the report was measured) the net spec and fund long positioning is less than half of the record spec and fund long! We leave the edge with the bull camp due to surging miles driven with gasoline inventories relative to year ago levels posting a deficit of 23.8 million barrels! While we admit gasoline is becoming short-term and perhaps fundamentally overbought, another implied gasoline demand reading above 9 million barrels per day could shift the market into hyper drive on the upside. As indicated already we are disappointed in the rate of improvement in daily TSA checkpoint numbers, with the month of June kicked off with readings that remain roughly 600,000 per day below the last normal year of 2019. However, the ULSD bull camp should continue to take its direction from surging crude and gasoline prices. The June 1st Commitments of Traders report showed Heating Oil Managed Money traders are net long 28,627 contracts after net selling 2,258 contracts. Non-Commercial & Non-Reportable traders were net long 46,395 contracts after decreasing their long position by 1,908 contracts.

While last week's spike up move in natural gas was the result of hot US temperatures and additional warmer than normal US forecasts, prices appear to be limited by the $3.10 level on the charts. In a psychologically supportive development, the Baker Hughes US gas drilling rig count declined for the 4th week in a row, but gas drilling rig numbers in Canada were unchanged. Following last week's significant injection, we see the $3.10 level as very limiting unless the trade is presented with fresh evidence that Chinese LNG imports from the US are growing rapidly. In retrospect, reports at the end of last week indicated that gas consumption was relatively strong for the spring, but it should be noted that the deficit of natural gas stocks versus the 5-year average was narrowed with last week's injection! The Commitments of Traders report for the week ending June 1st showed Natural Gas Managed Money traders added 14,486 contracts to their already long position and are now net long 40,607. Non-Commercial & Non-Reportable traders added 7,983 contracts to their already short position and are now net short 60,074.

BEANS:
The weather forecast is threatening and is likely to support more buying early this week. While it may be too early to do permanent damage, very hot and dry weather for two weeks may drag crop conditions lower. China's soybean imports rose in May from the previous month as more cargoes from top supplier Brazil cleared customs. China imported 9.61 million tonnes in May, up 29% from 7.45 million tonnes in April, when some Brazilian shipments were delayed. Soybean arrivals in the next two months were expected to exceed 10 million tonnes. China brought in 38.23 million tonnes of soybeans in the first five months of 2021, up 12.8% from the same period last year.

For the USDA supply/demand update, traders see old crop ending stocks at 122 million bushels, up 2 million from last month with a range of estimates of 110-150 million. New crop ending stocks are expected at 143 million bushels, 117-206 range, as compared with 140 million last month. World ending stocks are expected near 86.2 million tonnes from 86.6 million in the May report. New crop world ending stocks are expected at 91.1 million tonnes, 89.0-94.1 range, as compared with 91.1 million in May. Traders expect Argentina soybean production to be revised lower to 46.5 million tonnes from 47 million last month. Brazil production is expected to increase slightly from the May forecast of 136 million tonnes. The USDA will release the first weekly crop conditions update for soybeans this afternoon.

November soybeans closed sharply higher on the session Friday and experienced the highest close since May 12. For the shortened week, November soybeans closed 62 3/4 cents higher. July soybean oil closed sharply higher on the session but stayed inside of Thursday's range. The hot and dry forecast for the Northern and Western sections of the Corn Belt helped to drive the market higher. As of Monday, the five day forecast shows hefty rain totals for the Canadian Prairies and some moisture, 1/2 to 1 inch, for North Dakota. Parts of South Dakota and Nebraska also receive 1/4 inch or less. The rest of the Western Corn Belt remains dry. Aberdeen, South Dakota temperature highs starting today are expected at 99 degrees, 97, 92, 101, 85, 93, 93, 96, 96, 97, 92, 92, 90 and 90 for June 20th! The 6 to 10 day forecast shows above normal temperatures for all of the Corn Belt and below normal precipitation. The 8-14 day forecast models also show above normal temperatures and below normal precipitation for the entire Corn Belt.

The weekly export sales report showed that for the week ending May 27, net soybean sales came in at 17,762 tonnes for the current marketing year and 180,300 for the next marketing year for a total of 198,062. Cumulative soybean sales have reached 99.2% of the USDA forecast for the 2020/2021 marketing year versus a 5 year average of 98.1%. Net meal sales came in at 217,704 tonnes for the current marketing year and 540 for the next marketing year for a total of 218,244. Net oil sales came in at 1,018 tonnes. Sales need to average 20,700 tonnes per week to reach the USDA forecast. Soybeans positioning in the Commitments of Traders for the week ending June 1st showed Managed Money traders are net long 138,788 contracts after net selling 602 contracts for the week. Non-Commercial & Non-Reportable traders were net long 157,088 contracts after increasing their already long position by 12,996 contracts for the week. For Soyoil, managed money traders net bought 757 contracts and are now net long 86,084 contracts. Non-Commercial & Non-Reportable traders net bought 4,997 contracts and are now net long 109,230 contracts. For meal, managed money traders were net long 20,885 contracts after decreasing their long position by 4,347 contracts for the week. Non-Commercial & Non-Reportable traders reduced their net long position by 5,681 contracts to a net long 76,605 contracts.

CORN:

The 2-week weather forecast looks threatening and should support higher trade early this week. Traders will monitor the weekly crop conditions report today and the USDA Supply/Demand update on Thursday. As of May 30th, US corn crop conditions were rated 76% good/excellent, which is above average, but conditions are likely to deteriorate in the next few weeks. Conditions for South Dakota were 67% good/excellent, which is well below normal, and North Dakota's good/excellent rating was 48% compared with a 10-year average near 80%. For the USDA monthly update, traders see 20/21 ending stocks at 1.203 billion bushels, 1.107-1.277 range, as compared with 1.257 billion bushels in May. For the new crop, traders see ending stocks at 1.417 billion bushels, 1.207-1.507 range, as compared with 1.507 billion bushels in May.

World ending stocks for the 20/21 season are expected near 279.7 million tonnes, 270.0-283.1 range, as compared with 283.5 million tonnes for the May update. For the new crop, ending stocks are expected near 288.6 million tonnes, 279-293 range, as compared with 292.3 million tonnes expected in May. Traders expect Brazil corn production near 97 million tonnes, 94-100.5 range, as compared with 102 million tonnes in May. Argentina production is expected at 47 million tonnes, unchanged from last month. Customs officials who process grains exports from Argentina said Friday they will hold a seven-hour strike on Tuesday to press their demand for priority access to COVID-19 vaccinations.

December corn closed sharply higher on the session last Friday and experienced the highest close since May 12th. The hot and dry forecast for the Western Corn Belt plus more talk of a smaller Brazil crop helped to support. For the week, the market was up 46 cents or up 8.4%. The weekly export sales report showed that for the week ending May 27, net corn sales came in at 531,106 tonnes for the current marketing year and 439,493 for the next marketing year for a total of 970,599. Cumulative sales have reached 98.0% of the USDA forecast for the 2020/2021 marketing year versus a 5 year average of 90.4%. Corn positioning in the Commitments of Traders for the week ending June 1st showed managed money traders net bought 21,845 contracts and are now net long 289,936 contracts. CIT traders were net long 433,016 contracts after increasing their already long position by 3,097 contracts. Non-Commercial & Non-Reportable traders net bought 37,912 contracts and are now net long 383,323 contracts.

WHEAT:

The wheat market was pulled higher by strength in the other grain markets early Monday, but the short-term weather forecast does include decent rain for North Dakota, (3/4 inches to 1 1/4 inches) for much of the state, and there is hefty rain amounts for the Canadian Prairies. December Minneapolis wheat traded down 14 1/4 cents from the highs but was still 12 1/4 cents higher. The longer-term forecast through June 20 shows above normal temperatures and below normal precipitation for the Dakotas, which is somewhat supportive. Hot temperatures in areas that do not receive rain in the next few days could stress the crop. For the USDA Crop Production and Supply/Demand report this week, traders see All Wheat production at 1.89 billion bushels, 1.810-1.973 range, as compared with 1.872 billion in the May USDA update. All winter wheat is expected at 1.308 billion bushels, 1.276-1.393 range, as compared with 1.283 billion in the last USDA update. Ending stocks are expected at 868 million bushels, 775-902 range, as compared with 872 million in the May update. For the 2021/22 season, ending stocks are expected at 781 million bushels, 620-899 range, as compared with 774 million bushels in the May update.

World ending stocks are expected at 293 million tonnes from 294.7 million in May. New crop ending stocks are expected at 294.6 million tonnes, 290-300 range, as compared with 295 million tonnes in the May USDA update. July wheat closed moderately higher on the session Friday with an inside trading day. This left the market with a gain of 24 1/4 cents for the week. The hot and dry forecast for the northern Plains helped to support the market and a sharp break in the US dollar plus a positive tilt to outside market forces plus strength in the corn market helped to support. December Minneapolis wheat closed sharply higher on the session and into new contract highs. For the week, the market gained 74 cents or more than 10%. IKAR raised their wheat crop outlook to 80 million tonnes, up from a prior outlook for 79.5 million tonnes due to recent rains. Algeria's 2021 grains harvest could fall 35-40% versus last year's 5 million tonnes crop because of drought.

The weekly export sales report showed that for the week ending May 27, net wheat sales came in at -33,260 tonnes (cancelations) for the current marketing year and 398,320 for the next marketing year for a total of 365,060. Cumulative sales have reached 97.7% of the USDA forecast for the 2020/2021 marketing year versus a 5 year average of 99.5%. Wheat positioning in the Commitments of Traders for the week ending June 1st showed managed money traders reduced their net long position by 1,307 contracts to a net long 3,227 contracts. Non-Commercial & Non-Reportable traders were net long 6,752 contracts after increasing their already long position by 2,489 contracts. For KC Wheat, managed money traders net sold 4,415 contracts for the week and are now net long 19,086 contracts. Non-Commercial & Non-Reportable traders are net long 14,482 contracts after net selling 1,926 contracts for the week.

HOGS:

The hog market remains in a solid uptrend and into new contract highs as the continued strong advance in pork values has helped support. While futures hold a premium to the cash, it will take a turn down in pork values in order to assume that a near term peak for futures may be in place. Export sales have slowed over the past few weeks and if China backs away from the import market, pork values might begin to ease. China imported 789,000 tonnes of meat in May, down 3.3% from a year ago and down sharply from 922,000 tonnes in April. Meat imports in the first five months of the year are still up 12.6% for the same period last year. The USDA pork cutout released after the close Friday came in at $131.02, up $1.09 from $129.93 on Thursday and $124.51 the previous week. This was the highest the cutout had been since July 22, 2014 and more than $10 above last year's high. July hogs experienced choppy to lower trade early in the session Friday but the market closed sharply higher on the day and into new contract highs. The new high leaves a swing target of 121.60.

The strong pork cut-out value continues to drive the market higher as this is likely to support higher trade for the cash market this week. However, with the cash market at 114.05, buyers may be hesitant to buy July futures which are trading up near 121. The CME Lean Hog Index as of June 2 was 114.05, up from 113.75 the previous session and 112.50 the previous week. The USDA estimated hog slaughter came in at 478,000 head Friday and 196,000 head for Saturday. This brought the total for last week to 1.975 million head, down from 2.378 million the previous week and 2.453 million a year ago. Friday's Commitments of Traders report showed managed money traders were net buyers of 3,895 contracts of lean hogs for the week ending June 1, increasing their net long to 82,632. Non-commercial & non-reportable traders combined were net buyers of 1,597, increasing their net long to 86,729.

US pork export sales for the week ending May 27 came in at 24,304 tonnes, down from 45,879 the previous week and below the average of the previous four weeks at 31,965. Cumulative sales for 2021 have reached 1.057 million tonnes, down from 1.117 million a year ago but the second largest on record. The 5-year average is 794,300. The largest buyer this week was Mexico at 13,886 tonnes, followed by China at 4,826. Mexico is the largest buyer for 2021 at 313,080 tonnes, followed by China at 294,947 and Japan at 117,007. China's national average spot pig price as of June 07 was down 4.37% from the previous day. For the month, prices are down 7.6% for the month and down 54.8% year to date.

CATTLE:

Slaughter has returned back to normal after the cyber-attack last Monday and with the massive packer profit margins, the cash market tone is positive for this week. With June trading at a discount to the cash, buyers could turn active. The USDA boxed beef cutout closed $1.57 lower at $338.98. This was up from $329.98 the previous week. This was the first decline in five sessions. Cash live cattle traded with a firm tone on Friday. In Kansas 1,978 head traded at 120 versus an average of 119.56 the previous week. In Texas/Oklahoma 2,306 head traded at 120 versus an average of 119.17 the previous week. The 5-day, 5-area weighted average was as of Friday afternoon was 119.90 versus 119.66 the previous week.
The USDA estimated cattle slaughter came in at 119,000 head Friday and 98,000 head for Saturday. This brought the total for last week to 538,000 head, down from 629,000 the previous week and 628,000 a year ago.

The average estimated dressed cattle weights last week was 825 pounds, unchanged from the previous week and down from 828 a year ago. The 5-year average weekly weight for that week is 805.2. Estimated beef production last week came in at 443.0 million pounds, down from 518.9 million a year ago. Friday's Commitments of Traders report showed managed money traders were net sellers of 7,708 contracts of live cattle for the week ending June 1, reducing their net long to 50,200. This is a long liquidation selling trend. Non-commercial & non-reportable traders were net sellers of 9,269, reducing their net long to 63,636.

US beef export sales for the week ending May 27 came in at 12,579 tonnes, down from 27,887 the previous week and the lowest since February 18. The average of the previous four weeks is 20,377. Cumulative US beef sales have reached 617,200 tonnes, up from 451,600 a year ago and the highest on record. The five-year average is 431,900. The biggest buyer this week was Japan at 4,041 tonnes, followed by South Korea at 2,456, Taiwan at 1,871, and Mexico at 1,436. South Korea has the most commitments so far for 2021 at 169,800 tonnes, followed by Japan at 149,100, China at 96,500, and Hong Kong at 53,100.

COCOA:

While cocoa finished last week with 3 negative daily results in a row, the market has consolidated above its late May low and well above its early May low. With the market oversold and continuing to have a bullish longer-term supply outlook, cocoa could see a sharp rally above its current prices levels. July cocoa was able to rebound from early pressure with a midsession rally, but then fell back on the defensive late in the day to finish Friday's trading with a modest loss. For the week, July cocoa finished with a loss of just 3 points (down 0.1%) which nonetheless was a third negative weekly result in a row.

The Eurocurrency bounced back from a 3-week low to post a sizable gain on Friday, and that provided cocoa with carryover support as that will make it easier for Euro zone grinders to acquire near-term supplies. There is rain in the forecast for West African growing areas, however, and that weighed on cocoa prices late in the day as that can help to improve growing conditions for the region's mid-crop production. Following subdued global demand last year during the height of the COVID pandemic, West African growing nations are still working down cocoa stocks from this season's main crop.

Many analysts as well as the International Cocoa Organization expect global production to have a record high this season highlighted by a record high total for Ivory Coast output. Many areas in West African are still in need of abundant rainfall this month that will benefit their late-harvested mid-crop and next season's main crop production. As a result, expectations for full-season 2020/21 production totals may have to adjusted lower later this year.

The June 1st Commitments of Traders report showed Cocoa Managed Money traders were net long 11,795 contracts after increasing their already long position by 2,430 contracts. CIT traders net bought 1,491 contracts and are now net long 36,899 contracts. Non-Commercial No CIT traders reduced their net short position by 4,365 contracts to a net short 4,973 contracts. Non-Commercial & Non-Reportable traders net bought 4,573 contracts and are now net long 25,785 contracts.

COFFEE:

Coffee continues to have bullish supply factors and an improving global demand outlook providing underlying support that has lifted prices over 36 cents (up 29%) so far during the second quarter. Recent volatile price action may be showing signs of a near-term overbought market, however, as coffee could see back and fill action this week. July coffee came under early pressure and fell to a 1-week low, but then rallied sharply late in the day to finish Friday's trading session with a sizable gain. For the week, however, July coffee finished with a loss of 0.70 cent (down 0.4%). While this was only coffee's second negative weekly result over the past 8 weeks, it was a negative weekly key reversal.

Ongoing concern with near-term European demand remains a source of pressure on coffee prices. This was reflected by ICE exchange coffee stocks (most of which are held at Euro zone warehouses) rose by 10,823 bags on Friday to reach a new 14-month high. With more than 118,000 bags waiting to be graded at the port of Antwerp, ICE exchange should continue to rise over the next few weeks. However, a rally in the Brazilian currency to a new 5 1/2 month high boosted coffee prices as that will ease pressure on Brazil's farmers to market their coffee to foreign customers.

Safras & Mercado estimated that 20% of this year's Brazilian coffee crop was harvested as of May 25th which compares to 23% for that date last year and the 5-year average, but coffee that has been harvested was showing good quality. There are several days with light rainfall (daily totals under 0.25) forecast for Brazil's south Minas Gerais growing areas, but then the region will shift back into a mostly dry weather pattern through the middle of next week.

The Commitments of Traders report for the week ending June 1st showed Coffee Managed Money traders added 3,509 contracts to their already long position and are now net long 45,844. CIT traders reduced their net long position by 2,538 contracts to a net long 76,148 contracts. Non-Commercial No CIT traders net bought 6,745 contracts and are now net long 42,156 contracts. Non-Commercial & Non-Reportable traders net bought 5,496 contracts and are now net long 70,127 contracts.

COTTON:

December cotton broke out of a four-day range on Friday and traded to its highest level since May 10. A second strong weekly export sales report in a row lent support to ideas that the interest in US cotton remains strong. The dollar index gave back most of Thursday's gains, and this lent additional support to the market. The export sales report showed US cotton export sales for the week ending May 27 at 180,765 bales for the 2020/21 (current) marketing year and 98,791 for 2021/22 for a total of 279,556. This was up from 263,609 the previous week and was the highest since April 1. The average of the previous four weeks is 161,200. It was also the highest old-crop figure since April 1. Cumulative sales for 2020/21 have reached 15.727 million bales, down from 16.336 million last year but above the five-year average at 13.909 million. Sales represent 105% of the USDA's forecast for the marketing year versus a five-year average of 107%. The largest buyer was Pakistan, which bought 74,911 bales for 2020/21 and 24,200 for 2021/22 for a total of 99,111. China bought 43,182, all for 2020/21.

China was the largest old crop buyer for the second week in a row. The previous week they bought 42,779 bales. Rain is moving out of west Texas, but there has been some improvement in soil conditions there in the past week. The 6-10 and 8-14 day forecasts have turned dry. The trade will be looking to Monday afternoon's USDA Crop Progress report to see if there is any improvement in the Texas crop. Last week's report showed Texas was well below average. Friday Commitments of Traders report showed managed money traders were net sellers of 1,203 contracts of cotton for the week ending June 1, reducing their net long to 35,012. Non-commercial & non-reportable traders combined were net buyers of 3,181, increasing their net long to 67,309. CIT traders were net sellers of 1,558 contracts, reducing their net long to 78,911.

SUGAR:

Sugar had a strong start to the second quarter, as the start of Brazil’s Center-South cane harvest reflected the much drier than normal conditions since last year. Brazilian government officials have noted the driest conditions in 91 years with warnings on water scarcity and an emergency drought alert issued in late May, and that drive sugar prices up to much higher prices levels over the near future. July sugar bounced back from a midsession pullback as it finished Friday’s trading with a sizable gain. For the week, July sugar finished with a gain of 35 ticks (up 2.0%) and a second positive weekly result in a row.

Crude oil and RBOB gasoline reached new multi-year highs which should strength Brazilian domestic ethanol demand, while Brazil’s currency reached a 5 1/2 month high in value that also gave sugar a boost as that relieves pressure on Center-South mills to produce sugar for the export market. Many analysts expect 2021/22 Center-South cane production to decline at least 5% from last season’s 605 million tonnes, which by itself should result in their sugar production declining by at least 3 million tonnes from the record-high 2020/21 season.

Due to a late start for harvesting, the Center-South cane crush was more than 16% behind last season as of mid-May, sugar production was 17.5% behind and total ethanol production was 13.2% behind. One notable factor is that sugar's share of crushing has remained relatively stable with last season at 44.5% versus 45.2% a year ago and 46.1% for the entire 2020/21 season. Center-South mills appear to be holding back on ethanol production because they expect the flare-up of COVID cases this year to limit driving. However, Center-South ethanol sales are running 17% ahead of last season. The International Sugar Organization lowered their 2020/21 global supply deficit forecast from 4.8 million down to 3.1 million tonnes, due in large part to lower global consumption.

The June 1st Commitments of Traders report showed Sugar Managed Money traders added 12,498 contracts to their already long position and are now net long 239,675. CIT traders net sold 10,256 contracts and are now net long 214,534 contracts. Non-Commercial No CIT traders were net long 186,056 contracts after increasing their already long position by 23,323 contracts. Non-Commercial & Non-Reportable traders were net long 341,454 contracts after increasing their already long position by 22,391 contracts.

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