Weekly Futures Market Summary

by the ADMIS Research Team
July 6, 2021

BONDS:
Apparently the Treasury bond market can rally in sync with equities as several US equity market measures made record highs, and yet bonds remained nearly 1 point higher during Friday’s trading. In retrospect, the June nonfarm payroll report was another report offering mixed messages on the economy. Certainly, the headline nonfarm payroll report was better than expectations, but the letdown occurred with an uptick in the unemployment rate. In conclusion, the bull camp is in control with the bullish numbers embraced and the bearish numbers discounted.

This week's early action in Treasuries highlights a market that is not tracking typical fundamentals, as a surge in inflationary expectations has not prevented a "rally" in treasuries! Perhaps a definitive surge in US daily infections for July 1st and July 2nd, has prompted safe harbor buying of treasuries and or it is possible that the looming release of the FOMC meeting minutes (Wednesday) is expecting the Fed to stick with its belief that inflation is transitory. In looking ahead, expectations for the US PMI and ISM readings call for soft data relative to the prior month, which in turn fosters ideas that the US recovery is struggling to maintain forward momentum.

The release of the last FOMC policy meeting dialogue is scheduled for Wednesday afternoon and the trade appears to expect the Fed to discount inflation and instead comment about the need to add significant jobs back to the equation. Obviously, the latest employment report was very disappointing which we suspect is the primary basis behind the markets ability to rally bond and note prices in the face of surging oil and grain prices. From a technical perspective, the recent rally has not been well attended but a lack of sellers appears to give the bull camp control with the latest positioning report still showing a very lofty net spec and fund short in bonds.

The June 29th Commitments of Traders report showed Bonds Non-Commercial & Non-Reportable traders net sold 19,320 contracts and are now net short 101,858 contracts. Not surprisingly, the technical action in the note market is less impressive than in bonds but the contract did make a 10-day high and could make a 16 day high through Tuesday’s US scheduled data. Like bonds, the note market maintains a sizable net spec and fund short and therefore short covering buying might be the primary bull force. For T-Notes Non-Commercial & Non-Reportable traders net sold 61,263 contracts and are now net short 225,433 contracts.

CURRENCIES:

Non-dollar currencies continued to be out-of-favor with last Friday morning's US nonfarm payroll report initially providing safe-haven buying of the dollar. However, the dollar reversed course as the trade digested the June jobs report and found some bright spots within the data. In retrospect, the dollar was extensively overbought with the Swiss franc and euro extensively oversold and therefore the reversal action of last week's trend was not surprising. While the dollar showed a significant initial slide at the start of this week, it definitively rejected that washout and appears to be poised to challenge a critical pivot point zone especially with the dollar recently in a safe harbor mentality.

However, we suspect US scheduled data will provide a 2-day upside breakout and a grind back toward last week's highs. The bull camp maintains buying fuel (according to the latest COT positioning report) with the market at times trading below the level where the COT positioning report was measured. Dollar positioning in the Commitments of Traders for the week ending June 29th showed Non-Commercial & Non-Reportable traders are net long 4,503 contracts after net buying 800 contracts.

We see a-number-of negative storylines facing the euro with fears of the rapid transmission of the variant virus combined with the potential for less accommodative central bank policy (because of rising inflationary pressures) serving to undermine recovery currencies like the euro. In fact, the euro does not appear to be benefiting from positive euro zone retail sales and strong business optimism in Germany. Fortunately for the bull camp the net spec and fund long in the euro is very modest with the market into last Friday's low falling by 100 points from the COT report mark off date. The June 29th Commitments of Traders report showed Euro Non-Commercial & Non-Reportable traders reduced their net long position by 7,902 contracts to a net long 134,566 contracts.

With a definitive rejection of a quasi-double low from last week it appears as if the Yen is an instrument capable of benefiting from a surge in inflationary expectations. It is also possible that the Yen is benefiting from a jump in Japanese household spending and from higher labor cash earnings. It should be noted that low household spending has been plaguing the Japanese economy for decades! Not surprisingly, the Swiss franc has fallen victim to the recovery in the dollar, with a 4-day high likely creating some stop loss selling. Like the euro, the Swiss franc is undermined as-a-result of inflationary concerns thought to be capable of altering dovish global central bank policies.

While the Pound violated a very critical consolidation low support level last week, it has recoiled aggressively from that downside breakout and regained a 4-week-old downtrend channel resistance line. The Pound should draft support from a favorable services PMI reading from Monday and from a favorable construction PMI reading Tuesday. On the other hand, strength in the Pound should be limited by strength in the dollar. Even though the Bank of Canada indicated its economic recovery is likely to widen ahead, and the Canadian dollar managed a 5-day high, it does not appear as if the Canadian dollar can stand up to periodic strength in the US dollar. On the other hand, surging commodity prices (particularly energy) should help underpin the Canadian dollar.

STOCKS:

The "Goldilocks" environment for equities continues to extend into the future with last Friday's June jobs report providing a measure of optimism from the large jump in actual payrolls. Surprisingly, investors were not put off by an increase in the unemployment rate and a decline in the average workweek and a smaller than anticipated increase in wages. Investors also discounted EU warnings for Apple against privacy violations, while a 737 cargo plane crash landed in the Pacific Ocean thereby rekindling anxiety toward Boeing shares.

Global equity markets early this week were generally lower, with the exceptions the markets in Tokyo and Moscow. However, some US equity markets forged new all-time highs as it does not appear as if inflationary signals are major stumbling block for investors. In other words, the trade has ultimate confidence in the US Federal Reserve. On the other hand, the tech sector was undermined as-a-result of a Chinese crackdown on ridesharing company Didi, as that suggests China will maintain aggressive control over all personal data collected on its citizens and that obviously reduces the potential for sales and revenues by foreign companies involved with online Chinese consumers.

As indicated already, the S&P forged a new all-time high (by a slim margin), but prices fell back as if the inflationary track in many physical commodity prices will result in a hawkish interpretation of Wednesday’s FOMC meeting minutes. We are also concerned with a surge in daily US infections on July 1st and July 2nd as that could bring Covid back into a front-page concerning issue for investors. Fortunately for the bull camp, the latest COT positioning report showed a modest net spec and fund long, which leaves the market with additional buying fuel. The Commitments of Traders report for the week ending June 29th showed E-Mini S&P Non-Commercial & Non-Reportable traders were net long 86,591 contracts after increasing their already long position by 5,508 contracts.

While the Dow futures have not returned to the all-time high posted back in early May a higher high for the move and a 20-day high projects more gains ahead. While some stocks are likely benefiting from the surge in energy prices, some brick-and-mortar companies within the Dow are likely being undermined as-a-result of fear of higher input costs and perhaps from expectations of soft US scheduled data. As in other stock index futures the Dow futures are not markedly overbought despite proximity to all-time highs! Dow Jones $5 positioning in the Commitments of Traders for the week ending June 29th showed Non-Commercial & Non-Reportable traders went from a net short to a net long position of 6,811 contracts after net buying 15,043 contracts.

In a very impressive early-week trade, the NASDAQ forged a new all-time high despite signs that China continues to crackdown on consumer tech companies under the guise of protecting national security. While not overly active in trading volume the NASDAQ maintains a "net short" spec positioning signaling a market with buying fuel on the sidelines. The Commitments of Traders report for the week ending June 29th showed Nasdaq Mini Non-Commercial & Non-Reportable traders net sold 936 contracts and are now net short 20,495 contracts.

GOLD, SILVER & PLATINUM:

While the expectation of inflation has not been consistently embraced by precious metal markets, it would appear a measure of inflationary sentiment is serving to lift commodity prices. The source of the inflationary spark is the surge in energy prices following the inability to reach a deal for returning production withheld by OPEC plus members. Yet another source of inflationary psychology is the looming US Federal Reserve meeting minutes scheduled for release on Wednesday. While a potential temporary influence, it should be noted that the latest two days of infection count readings from the US (July 1st and July 2nd) registered lofty 17,911 and 15,515 cases respectively and that combined with continued highly contagious spread could put the Covid 19 storyline back in a front and center standing!

In the near-term surging commodity prices look to foster inflation, but for inflation sentiment to remain in place after tomorrow's FOMC meeting probably requires a mute statement on inflation. Gold positioning in the Commitments of Traders for the week ending June 29th showed Managed Money traders net sold 3,647 contracts and are now net long 72,516 contracts. Non-Commercial & Non-Reportable traders net sold 7,145 contracts and are now net long 203,190 contracts. Even short-term technical signals have turned against the bear camp in gold with August gold making a 12-day high and breaching a potentially important psychological resistance price of $1,800.

Not to be left out, the September silver contract also forged an upside breakout and would appear to be headed to a trade above $27.00. From a spec positioning perspective, the silver market was in the lower quarter of the net spec and fund long range in that last 12 months and therefore the market might not become bought out quickly. The Commitments of Traders report for the week ending June 29th showed Silver Managed Money traders were net long 33,142 contracts after increasing their already long position by 3,260 contracts. Non-Commercial & Non-Reportable traders net bought 588 contracts and are now net long 57,265 contracts.

The PGM markets are also rising aggressively early this week with a positive spillover from surging energy and other precious metal prices. In retrospect, the palladium market corrected its overbought condition from the historical price action in early May, with open interest falling precipitously and trading volume all but drying up into the recent lows. From a demand perspective, economic information from China has been generally positive, but has not shown acceleration while the US is showing steady but uneven economic activity growth. The June 29th Commitments of Traders report showed Palladium Managed Money traders net bought 510 contracts and are now net long 2,704 contracts. Non-Commercial & Non-Reportable traders are net long 1,923 contracts after net buying 352 contracts.

Even the sluggish platinum market is showing strength early this week but has only engineered a 5-day high, with resistance pegged at $1,116.10 and solid consolidation low support not seen until all the way down at $1,050. Like palladium, the platinum market saw significant liquidation in open interest since its key high back in February (-30%), and therefore the market could rally impressively before becoming overbought. Platinum positioning in the Commitments of Traders for the week ending June 29th showed Managed Money traders net bought 3,261 contracts and are now net long 5,143 contracts. Non-Commercial & Non-Reportable traders are net long 22,455 contracts after net buying 988 contracts.

COPPER:

Like many other physical commodity markets, the copper market has started the holiday shortened trading week out with a significant upside breakout and a 13-day high. According to press reports, copper was partially lifted by a surge in fund buying off inflationary interest, but we also suspect that some of the buying was technical in nature. The inflationary buzz is likely the result of surging energy prices after an OPEC plus meeting was adjourned without a consensus which in turn leaves production restraint in place.

To a lesser degree, some speculative buyers in copper might be moving into position because of Wednesday's FOMC policy statement release! In fact, the net spec and fund long in copper fell to the lowest level in 13-months last week thereby signaling a market with plenty of residual buying fuel. The Commitments of Traders report for the week ending June 29th showed Copper Managed Money traders added 8,310 contracts to their already long position and are now net long 27,576. Non-Commercial & Non-Reportable traders net bought 811 contracts and are now net long 19,826 contracts.

ENERGY COMPLEX:

Obviously, the energy markets were surging early this week because of the breakup of the OPEC plus meeting without an agreement. Apparently, the breakdown in talks results in a maintenance of current production levels which the trade believes are insufficient to avoid further tightening of world oil inventories. It appears that Saudi Arabia and the United Arab Emirates are at odds over the allocation of production allowed to resume. In fact, some press outlets were suggesting Saudi Arabia and the UAE are in a "bitter fight" which could mean several days of standoff! Therefore, the trade is rushing to factor in the view that crude oil stocks will continue to "fall fast" at-the-same-time that global demand continues to recover.

Certainly, the pace of global energy demand recovery is suspect and likely moderate, but the view of an imbalance has given the bull camp confidence. Furthermore, the bull camp is emboldened by time spread action in both Brent and WTI crude oil futures prices. On the other hand, the latest positioning report (adjusted for the gains into Tuesday's high) likely puts the spec long position at the highest level since July 2018! The June 29th Commitments of Traders report showed Crude Oil Managed Money traders net sold 14,201 contracts and are now net long 407,556 contracts. Non-Commercial & Non-Reportable traders net bought 10,195 contracts and are now net long 652,383 contracts. At least in the near term both supply and demand issues favor the bull camp.

Not to be left out, the gasoline contract has also forged a new contract high early this week, and prices are likely benefiting from speculative spillover from rising crude oil prices. Using the bull logic from crude oil, the bull camp in gasoline could argue gasoline demand is improving faster than crude oil demand and that a residually low refinery operating rate (for most of the first half of 2021), makes it extremely difficult to repair inventories at this time of the year. The latest inventory report showed EIA gasoline stocks to be at a 15-million-barrel deficit to year ago levels, with the current inventory level barely above the five-year average.

However, it should be noted that the net spec and fund long positioning in gasoline is relatively lower than crude oil and not at a level suggesting limited buying fuel remains on the sidelines. The June 29th Commitments of Traders report showed Gas (RBOB) Managed Money traders are net long 66,383 contracts after net buying 7,336 contracts. Non-Commercial & Non-Reportable traders net bought 7,022 contracts and are now net long 74,718 contracts. The ULSD contract also forged a fresh contract high with high crude oil prices potentially serving to reduce refinery buying until product prices move to even higher price levels.

In looking back at last week's EIA inventory data, both EIA distillate and EIA low sulfur diesel inventories are at substantial year-over-year deficits. Furthermore, talk that air travel is beginning to expand (not verified by daily TSA security checkpoint numbers yet) means that the bull camp is getting help from supply and demand. The June 29th Commitments of Traders report showed Heating Oil Managed Money traders added 8 contracts to their already long position and are now net long 32,363. Non-Commercial & Non-Reportable traders net bought 1,692 contracts and are now net long 47,307 contracts.

Even the natural gas market has forged an upside breakout with prices returning to the highest levels since December 2018. Surprisingly, the US temperature forecast has not knocked prices back, with the much above normal temperature forecast for the northern 3rd of the US appearing to moderate. Furthermore, the potential for a tropical storm induced restriction of offshore production and nearshore transportation is very low considering the storm lacks strength and is already beyond key offshore production areas. In retrospect, last week's EIA natural gas inventory report was slightly bearish, with the highest injection reading in 3 weeks and the deficit to the five-year average inventory narrowing versus the prior week.

However, from a technical perspective, the natural gas market in its last positioning report remained net spec and fund short, and that will likely create stop loss buying if prices take out additional key price levels on the upside. The Commitments of Traders report for the week ending June 29th showed Natural Gas Managed Money traders were net long 95,056 contracts after increasing their already long position by 43,924 contracts. Non-Commercial & Non-Reportable traders reduced their net short position by 4,859 contracts to a net short 65,972 contracts.

BEANS:

November soybeans started this week under pressure, which suggests weakness in the palm oil market from softer Indian demand has created a minimally bearish environment to start the US holiday shortened trading week. On the other hand, the weather forecast for the Dakotas did not see relief, while areas in Iowa saw widespread coverage but of very low rainfall totals. However, Iowa is expected to get good rains in the next 5 days and rain is expected to stretch across northern Illinois South Dakota and southern Minnesota. Fortunately for the bull camp, the 6-to-10-day forecast calls for drier and warmer conditions in the Dakotas.

In a longer-term supportive development for soybean prices, China indicated they would move to ensure all pig and hog farms in key production areas over the next 3 years. In other words, producers will be able to liquidate animals quickly in the face of disease, and then have the confidence and resources to rebuild quickly. In the short term, some traders might see the Chinese May soybean import tally as a sign that Chinese demand is slowing, with the May 2021 reading lower than the April 2021 reading and significantly lower than the May 2020 reading.

Apparently, the trade is not supported as-a-result of talk that some palm oil production May in Malaysia might not be harvested due to labor shortages. The June 22nd Commitments of Traders report showed Soybeans Managed Money traders net sold 27,188 contracts and are now net long 80,304 contracts. CIT traders net sold 15,473 contracts and are now net long 168,608 contracts. Non-Commercial No CIT traders were net long 29,702 contracts after decreasing their long position by 31,941 contracts. Non-Commercial & Non-Reportable traders were net long 77,711 contracts after decreasing their long position by 43,663 contracts.

Soymeal positioning in the Commitments of Traders for the week ending June 22nd showed Managed Money traders added 1,040 contracts to their already long position and are now net long 20,132. CIT traders net bought 1,576 contracts and are now net long 102,399 contracts. Non-Commercial No CIT traders are net long 7,671 contracts after net selling 636 contracts. Non-Commercial & Non-Reportable traders net sold 1,363 contracts and are now net long 65,613 contracts.

Soyoil positioning in the Commitments of Traders for the week ending June 22nd showed Managed Money traders were net long 52,152 contracts after decreasing their long position by 15,074 contracts. CIT traders reduced their net long position by 1,888 contracts to a net long 120,152 contracts. Non-Commercial No CIT traders reduced their net long position by 15,782 contracts to a net long 24,647 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 23,084 contracts to a net long 59,855 contracts.

CORN:

In addition to a slightly bearish shift in near term US weather forecasts, the corn market is undermined as-a-result of news that China will auction 123,954 tonness of "imported corn from the US" on Thursday. Furthermore, the Chinese also plan to auction 6340 tons of imported corn from the Ukraine bringing the overall net auction supply to 130,294 tons. However, at the end of last week Brazil indicated that 2nd corn production in the center South was likely to be 5.4 million tonnes below the level forecast in May! Apparently after 12% of the 2nd corn crop was harvested frost damage has been confirmed. Fortunately for the bull camp, the net spec and fund long in corn has already declined by almost half of the level seen in January of this year.

The Commitments of Traders report for the week ending June 29th showed Corn Managed Money traders were net long 245,434 contracts after increasing their already long position by 1,969 contracts. CIT traders net bought 15,308 contracts and are now net long 442,295 contracts. Non-Commercial No CIT traders reduced their net long position by 13,692 contracts to a net long 183,825 contracts. Non-Commercial & Non-Reportable traders were net long 286,875 contracts after decreasing their long position by 9,282 contracts. On the other hand, reports from last Friday indicated that funds on Friday sold 10,500 contracts of corn.

WHEAT:

Chicago wheat's whipsaw price action in the wake of last Wednesday's Acreage and Stocks reports still results in a weekly gain and a positive weekly reversal from a 2 1/2 month low. With prices finishing the week more than 40 cents below Thursday's high, however, the wheat market may have trouble finding its footing early this week. September wheat closed sharply lower for last Friday's session, but managed a gain of 12 cents for last week after the market experienced follow-through technical selling after Thursday's hook reversal. September KC wheat also posted a sizable loss on Friday but finished the week with a gain of 10 1/4 cents. December Minneapolis wheat closed higher on the session as the market gained 32 cents for the week with a new contract high posted last Thursday. On Monday, September Paris milling wheat futures declined by 4.50 down to 200.50 Euros.

The spring wheat weather forecast continues to look threatening for at least another two weeks which could hurt yield potential, but the December contract did post a key reversal on July 1st. The surge higher in the US dollar did not help last week, but it fell back from its post-US jobs data high into negative territory by last Friday's close and has followed through to the downside early this week. If the Dollar extends a near-term pullback, it will benefit wheat prices as it will make US wheat more competitive in the global export marketplace. There were scattered showers over the Central and Southern Plains over the holiday weekend that may have disrupted harvesting activity.

SovEcon forecast Russia's June wheat exports at 2.30 million tonnes which would roughly in-line with last year's total. FranceAgriMer said that this season's French soft wheat crop was 79% in very good to good condition which was unchanged from last week. The Copa/Cogeca farming group forecast this year's EU wheat production would come in at 130 million tonnes which would be 7% above last year's total. Ukraine's Ag Ministry said that they do not expect to impose export limits during July and August. The Buenos Aires Grain Exchange said that their nation's 2021/22 wheat crop was 84.1% planted as of last Thursday, which compares with 70.9% the previous week. Bris Agriculture Group forecast that China will import 12 million tonnes of wheat this year which would be a 40% increase from last year's total. Egypt's GASC bought 240,000 tonnes of wheat in an international tender, with most that wheat having a Romanian origin.

The June 29th Commitments of Traders report showed Wheat Managed Money traders were net long 774 contracts after decreasing their long position by 2,241 contracts. CIT traders reduced their net long position by 2,942 contracts to a net long 156,872 contracts. Non-Commercial No CIT traders net sold 3,122 contracts and are now net short 38,448 contracts. Non-Commercial & Non-Reportable traders were net long 5,193 contracts after decreasing their long position by 5,258 contracts. KC Wheat positioning in the Commitments of Traders for the week ending June 29th showed Managed Money traders net bought 7,871 contracts and are now net long 22,723 contracts. CIT traders added 1,941 contracts to their already long position and are now net long 61,957. Non-Commercial No CIT traders were net long 7,951 contracts after increasing their already long position by 5,347 contracts. Non-Commercial & Non-Reportable traders are net long 17,487 contracts after net buying 8,466 contracts.

HOGS:

The chart pattern turned bearish last week, as August hogs turned away from the initial key resistance level of 105.67 and followed that with slightly lower close on Thursday. The sharp discount of the futures to the cash market have lent support, but ongoing concerns over the potential for reduced export activity in the months ahead are a force of pressure. Pork exports for May reached 687.78 million pounds, up 11% from a year ago. Exports to China came totaled 160.12 million pounds, was below the record 253.3 million pounds from May 2020. Exports represented 33% of total US production, which was a record.

The CME Lean Hog Index as of June 30 was 111.77, down from 112.18 the previous session and 117.62 the previous week. The futures remain at a significant discount to the cash market, but the cash trend is clearly down. The USDA estimated hog slaughter came in at 430,000 head Friday and 15,000 head for Saturday. This brought the total for last week to 2.282 million head, down from 2.359 million the previous week but up from 2.039 million a year ago.

The USDA pork cutout, released after the close Friday, came in at $113.67, down 63 cents from $114.30 on Thursday but up from $107.40 the previous week. China's national average spot pig price as of July 6 was down 0.25% from the previous day. Prices were down 5.2% for the month, 55% year to date and 57% from a year ago. Friday's Commitments of Traders report showed managed money traders were net sellers of 8,047 contracts of lean hogs for the week ending June 29, reducing their net long to 67,669. The selling trend is short term negative, and the market is coming from historically overbought levels.

CATTLE:

August cattle have managed to hold support in the face of lower cash and beef prices, but the market has drifted back to the lower end of the June consolidation, and it will be important to hold those levels to avoid a steeper selloff. Beef prices have declined steadily for three straight weeks, but they are still well ahead of last year, and the lower-than-expected placements number in May suggests lighter supply this fall. August cattle closed sharply lower on Friday but managed an inside trading day. The market experienced choppy and two-sided trade early in the session, but sellers turned active with weakness seen in many agricultural markets.

The USDA boxed beef cutout was down $1.87 at mid-session Friday and closed $2.21 lower at $285.44. This was down from $304.56 the previous week and was the lowest the cutout had been since April 26. The cutout has declined for 17 straight sessions, but it was still $80 above a year ago and $65 higher than it was at this point in 2019. Cash live cattle traded lower last week. In Nebraska on Friday, 1,278 head traded at 125-126 with an average price of 125.67, down from an average of 125.72 the previous week, which is not much of a decline, but as of Friday, the 5-day, 5-area weighted average price was 123.62, down from 125.03 the previous week.

The USDA estimated cattle slaughter came in at 113,000 head Friday and 33,000 head for Saturday. This brought the total for last week to 623,000 head, down from 661,000 the previous week but up from 581,000 a year ago. The estimated average dressed cattle weighs for the week ending July 3 came in at 818 pounds, down from 819 from the previous week and 831 a year ago. The 5-year average weekly weight for that week is 813.8 pounds. Estimated beef production came in at 508.3 million pounds, up from 481.8 million a year ago.

COCOA:

Cocoa prices finished last week's trading squarely on the defensive as prices fell nearly 100 points from Thursday's 1 1/2 week high to Friday's 8-month low. Open interest has reached a 13-month high, indicating that funds have built up a sizable short position over the past few weeks. With technical indicators reaching oversold levels as prices have fallen into "bargain" territory, cocoa may be closing in on a near-term low. September cocoa found early support, but fell back under pressure at midsession before finishing Friday's trading session with a sizable loss. For the week, September cocoa finished with a loss of 61 points (down 2.6%) which was a sixth negative weekly result over the past 7 weeks.

Ongoing concern with near-term demand continues to pressure the market following reports that several nations will extend their COVID travel restrictions could diminish chocolate consumption in Europe and North America early in the third quarter. There are fewer restrictions for full-vaccinated travelers so as COVID vaccines receive more widespread use, that should boost the longer-term cocoa demand outlook.

Recent wet weather over West African growing regions weighed on cocoa prices as that should benefit the region's late mid-crop and next season's main crop output. Although there is daily rainfall in the forecast through Saturday, there are several mostly dry days expected early next week. The latest Ivory Coast weekly port arrivals total was well below the comparable period last year, but that has kept their full-season arrivals total ahead of last season's pace.

Cocoa positioning in the Commitments of Traders for the week ending June 29th showed Managed Money traders went from a net long to a net short position of 1,746 contracts after net selling 4,147 contracts. CIT traders reduced their net long position by 493 contracts to a net long 32,608 contracts. Non-Commercial No CIT traders added 1,789 contracts to their already short position and are now net short 13,740. Non-Commercial & Non-Reportable traders are net long 12,638 contracts after net selling 3,295 contracts.

COFFEE:

Coffee's change in fortune at the start of this month has taken prices well below their recent highs as last Friday's close was the first below its 50-day moving average since early April. With bearish near-term supply developments in Brazil weighing on prices, coffee is likely to see further downside action early this week. September coffee followed through on Thursday's wide-sweeping outside-day down as they reached a 1-week low before finishing Friday's trading session with a sizable loss. For the week, September coffee finished with a loss of 4.75 cents (down 3.0%) which was a fourth negative weekly result over the past 5 week and a negative weekly reversal from last Thursday's 4-week high.

Indications that frost conditions did not reach Brazil's major Arabica-growing region of south Minas Gerais last week was a source of pressure on coffee prices. The forecast for that region calls for dry conditions and a warm-up in temperatures through the middle of next week which should minimize the chances for frost damage. This follows trade reports last week that Brazil's current 2021/22 Arabica crop may be in better shape than expected given the much drier than normal conditions seen over the past year. Honduran coffee exports during June were nearly 828,000 bags, which were 28.4% above last year's level and due to a larger amount of shipping commitments along with no major supply bottlenecks. In addition, Costa Rica's June coffee exports came in 13.9% above last year's total, which provided further evidence that Central American coffee production has rebounded over the past few months.

ICE exchange coffee stocks were unchanged last Friday and following Monday's holiday, but are almost 18,000 bags below their June month-end total. The Commitments of Traders report for the week ending June 22nd showed Coffee Managed Money traders net sold 6,951 contracts and are now net long 33,647 contracts. CIT traders reduced their net long position by 1,498 contracts to a net long 72,623 contracts. Non-Commercial No CIT traders were net long 26,461 contracts after decreasing their long position by 8,242 contracts. Non-Commercial & Non-Reportable traders net sold 9,510 contracts and are now net long 52,238 contracts.

COTTON:

December cotton gapped higher at the start of this week and came close to testing the June 11 high. There are concerns that the heavy rains that are expected to reach the southeastern US when Tropical Storm Elsa makes landfall in Florida early Wednesday that could damage crops. In just two and a half sessions, the market has recovered all the losses it incurred in the aftermath of last Wednesday's USDA Acreage Report. The report showed US cotton plantings coming in lower than the March estimate and below the published average trade expectation, but the number was still apparently larger than what some traders had hoped, as the market sold off sharply in the wake of the release.

If we apply the new plantings number to the US cotton balance sheet and leave all the other demand unchanged from the current USDA forecast, ending stocks for 2021/22 would fall to 2.44 million bales, which would be down from 3.15 million in 2020/21 and the lowest they have been since 2013/14. The stocks/use ratio would fall to 14.1% from 16.8% last year and the lowest on record. However, the rains that have fallen in Texas for the last month may have brought a year-long drought to an end. This would put the unirrigated areas of Texas in a position to see a record crop and could result in far less abandonment and stronger average yield than normal.

The 1-5-day forecast shows active rainfall from Texas, through the Delta and into the southeastern US, with an extremely heavy band along the Atlantic coast. The 6-10 and 8-14-day forecasts call for below normal temperatures and normal to above normal precipitation in those areas. There are some concerns that the Delta and southeast are getting too much rain. Traders will be watching for the weekly crop progress report Tuesday afternoon to see if there are any changes in the crop's condition. Friday's Commitments of Traders report showed managed money traders were net buyers of 9,304 contracts of cotton for the week ending June 29, increasing their net long position to 53,494. This data was collected a day before the steep selloff last week. The position is roughly half of the record net long and would not be considered overbought.

SUGAR:

Sugar prices have been able to extend their recovery move into early July due in large part to fresh bullish supply-side developments. With carryover support from a key outside market, sugar could reach a new multi-year high early this week. October sugar built on early strength and shook off a midsession pullback as they finished Friday's inside-day trading session with a moderate gain. For the week, October sugar finished with a gain of 84 ticks (up 4.9%) which was a second positive weekly result in a now.

Another night of frost for cane-growing regions in Brazil's Center-South on Thursday provided early support to the sugar market. While there has been a shift towards warmer temperatures in the region, it may take several more days before there is a full assessment of the frost damage to this season's cane crop. Energy prices have reached multi-year highs early this week following the OPEC plus meeting which failed to reach a deal on increasing their output. This should give a boost to sugar prices as that should help to further strengthen Brazilian domestic ethanol demand which has already shown improvement since March.

As a result, this has offset pressure from a slumping Brazilian currency which reached a 2-week low on Monday. An extended pullback in the value of Brazil's currency may encourage Center-South mills to keep sugar's share of crushing close to last season's levels. The 2021/22 Center-South cane crush was running more than 11% behind last season's pace through mid-June due to a late start, and is expected to cut into that deficit during late June and July as dry weather would help to increase the rate of harvesting and crushing.

Sugar positioning in the Commitments of Traders for the week ending June 29th showed Managed Money traders were net long 200,707 contracts after increasing their already long position by 1,526 contracts. CIT traders added 1,980 contracts to their already long position and are now net long 217,145. Non-Commercial No CIT traders net bought 284 contracts and are now net long 148,209 contracts. Non-Commercial & Non-Reportable traders added 5,833 contracts to their already long position and are now net long 282,367.

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.