ADM Investor Services, Inc.

WEEKLY MARKET SUMMARY

19 October, 2020

For the Week of October 19, 2020

BONDS:

In retrospect, we are very surprised in the treasury market's slide last week as there appeared to be a number of concerning economic developments and enough concerning scheduled data points for prices to have held the gains forged in the first half of the trading week. Certainly, the favorable retail sales report offset the very concerning industrial production/capacity utilization readings, and it would appear as if a portion of the treasury trade continues to anticipate some form of stimulus agreement.

Obviously, a series of risk on headlines has knocked treasury bonds down aggressively and could continue to press prices directly back to the early October lows of 175-00 in December bonds and to 138-20 in December notes. Unfortunately for the bull camp, the fundamental headlines pressing prices are numerous and diversified with 2 storylines, positive Chinese economic data and word that the UK might begin to "administer" a vaccine in mid-December capable of sustaining bearish psychology.

A shorter term and potentially reversible bearish development came from fresh hope of a US stimulus package with the Speaker of the House over the weekend more upbeat about a potential deal but also delivering a hard 48 hour deadline to the other side of the aisle. With the US Federal Reserve Chairman speaking early this week, it is possible he will continue to push Congress aggressively for a stimulus package. It should also be noted that the market will see additional Fed speeches this week and it is likely that those comments will turn up the pressure on Washington to come together on a stimulus package.

Traders should be aware that the net spec and fund short in treasury bonds is excessive and would seem to already be positioning for a definitive transition into a sustained positive economic environment. Bonds positioning in the Commitments of Traders for the week ending October 13th showed Non-Commercial & Non-Reportable traders reduced their net short position by 30,836 contracts to a net short 206,098 contracts. T-Notes positioning showed Non-Commercial & Non-Reportable traders are net long 125,770 contracts after net selling 1,073 contracts.

CURRENCIES:

While the dollar index rate of gain last week was unimpressive, the charts have shifted positive but do not give off indications of a significant move directly ahead. Like a-number-of other financial markets, we suspect the currencies will become less volatile as traders become skittish about implementing new positions ahead of the highly uncertain election event. Obviously, the Swiss and euro appear to have turned and are likely to remain under pressure in the event that negative market sentiment extends into this week and that downside action could accelerate if infection counts in Europe over the weekend worsen. Obviously, the surprise flow of positive macroeconomic developments has undermined the dollar and rekindled fresh selling pressure. While some of the fundamental storylines are highly suspect in their potential to come to a favorable outcome, they are present and "hope" should create selling pressure in the dollar.

While some dollar traders suggest Chinese GDP was softer than expectations, taking the entirety of the Chinese scheduled data clearly indicates the Chinese economy is indeed recovering. In the end, we see the path of least resistance pointing down in the dollar, but we suspect declines will be measured until the position of Mitch McConnell and the fiscal hawks in the Senate is found to be open to expanding the size of the stimulus package. The market could pause at the 93.24 level until Washington proves it can govern instead of bicker. The Commitments of Traders report for the week ending October 13th showed Dollar Non-Commercial & Non-Reportable traders net bought 3,931 contracts which moved them from a net short to a net long position of 2,147 contracts.

While the rally in the Euro is largely the result of weakness in the dollar, the currency is likely drafting some lift from a favorable Euro zone construction output reading for August. However, to extend the upside breakout and return to the early October high will require a straightaway continuation of positive big picture fundamental headlines as the infection situation continues to haunt the economic outlook in Europe. Euro positioning in the Commitments of Traders for the week ending October 13th showed Non-Commercial & Non-Reportable traders are net long 218,355 contracts after net selling 9,772 contracts.

The Yen has shown very little reaction to what appeared to be a series of major global fundamental developments. Nonetheless, the bias in the Yen is down as we suspect some extraction of safe-haven interest will be seen but the charts in the end seem to offer up credible support at 94.82. While the Yen has not shown much in the way of reaction to domestic scheduled data, Japanese imports exports and merchandise trade readings all favor the bear camp. The Swiss franc has shown a very significant reversal with a new low for the move and a powerful recovery into a 3-day high. As in the euro, the Swiss is held back by the lingering infection issue on the continent, but that force is clearly overcome by a sudden improvement in the global economic outlook. However, the vast improvement in economic psychology is built on hope of a favorable outcome on at least 2 of the 4 bullish macro headlines presented early this week.

In addition to the knee-jerk windfall from a softer dollar, the Pound is given added lift by a positive UK house price report. However, the strength in the Pound is surprising considering the prospect of economic drag from the fresh restrictions of movement from infection counts and by negative economic concerns voiced by the Bank of England Governor. In the end, the bias to start this week is up but the risk of being long the Pound is unattractive to us. The bias in the Canadian dollar is up to start this week mostly because of knee-jerk reaction benefits from the weaker dollar. Unfortunately, the currency appears to run into consolidation resistance quickly this morning around the 76.00 level. Obviously, the Canadian is catching a lift from favorable vaccine news as economic data at the end of last week clearly justified the washout in the currency.

STOCKS:
Relatively speaking, the US equity markets held up impressively in the face of last week's deterioration in big picture conditions. Infection counts, failure to lead on stimulus, mixed US scheduled data, lockdowns in the UK and increased anxiety toward the coming election could have sent stocks sharply lower and anchored those prices to those lows. Like US scheduled data which continues to offer a mixed bag of results, the fortunes of companies are wide-ranging with Boeing seeing the reauthorization of its 737 Max in Europe, Pfizer getting a lift off its targeting for emergency use application of its vaccine and mostly favorable bank earnings offset by renewed potential for regulation of big tech and growing fear of restaurant failures.

Global equity markets early this week were higher with the exceptions the Shanghai markets and the Russian market which saw declines of less than 1%. Overnight economic news included Chinese GDP which came in under expectations but well above the prior growth rate of 3.2%. The highlight of the Chinese numbers though was the industrial production reading which grew by 6.9% over year ago levels while retail sales also posted a better-than-expected gain of 3.3%. China also released a report that showed property investment to have jumped by 12%. While the Speaker of the House presented a 48 hour hard deadline to accomplish a stimulus package ahead of the election, the markets were generally cheered by that news as that is an improvement from views last week that no deal would be reached before the election.

On one hand, the S&P is higher early this week but on the other hand we see the gains as undersized given the number and importance of bullish fundamental developments in place. Nonetheless, a "buy the rumor" condition looks to be in place into the Tuesday deadline offered by the Speaker of the House. However, the bull camp should be emboldened by more sustainable fundamental news from positive Chinese data and from the prospect the UK will begin to administer a vaccine in the middle of December. The October 13th Commitments of Traders report showed E-Mini S&P Non-Commercial & Non-Reportable traders reduced their net long position by 21,076 contracts to a net long 57,897 contracts.

The Dow futures have started out positive early this week and given 3 recent closes at 28,383 there would appear to be a technical plateau for prices to launch back toward the September highs up at 29,050. On the other hand, the failure to launch in the face of a long list of important bullish fundamental storylines could indicate investors are beginning to fret over the volatility expected around the election. Dow Jones $5 positioning in the Commitments of Traders for the week ending October 13th showed Non-Commercial & Non-Reportable traders net bought 1,061 contracts and are now net long 3,118 contracts.

The NASDAQ has also started out positive in sync with the rest of the markets and should be given lift from favorable Netflix results and indications the online streaming company will no longer offer free trials as that could add to revenues in the next reporting period. Nasdaq Mini positioning in the Commitments of Traders for the week ending October 13th showed Non-Commercial & Non-Reportable traders net bought 93,131 contracts which moved them from a net short to a net long position of 33,463 contracts.

GOLD, SILVER & PLATINUM:

With fresh hope for a stimulus deal fostered by the Speaker of the House in a statement over the weekend, positive vaccine news from the UK and noted weakness in the dollar to start today, the path of least resistance in the gold and silver markets is pointing upward. Furthermore, gold and silver should draft support from favorable Chinese economic news which showed better-than-expected retail sales and an overall growth level commensurate with pre-Covid-19 levels. In yet another supportive development, Citi has forecast gold will hit a fresh record before the end of the year and will average $2,275 an ounce in their base case for 2021! Citi also predicted that silver prices will rally another "70%" to over $40 an ounce in the coming 12 months. On the other hand, gold and silver are probably undermined by the revelation that both markets saw ETF holdings decline on Friday.

While the decline in silver ETF holdings was insignificant at 40,788 ounces the outflow from gold at 207,133 ounces was slightly more relevant. Last week gold ETF's reduced their holdings by a net 58,746 ounces, while silver ETF's increased their holdings on the week by 1.26 million ounces. With Chinese economic data starting the week out positive, investors hopeful of support from Washington and word that the UK might begin to administer a vaccine in mid-December, gold and silver look to track higher with the gains potentially gathering momentum in the event that the December Dollar extends the initial slide and falls below 93.36. The Commitments of Traders report for the week ending October 13th showed Gold Managed Money traders reduced their net long position by 11,186 contracts to a net long 119,823 contracts. Non-Commercial & Non-Reportable traders net sold 7,879 contracts and are now net long 284,396 contracts.

Like the gold market, the silver market also remains within a larger negative chart setup and has been struggling to reverse the August through late September downtrend. However, given a series of favorable data points from China, an extremely bullish price forecast ($40.00) for silver from Citi, fresh chances of a US stimulus compromise and a weaker Dollar silver could be poised to take out a very critical downtrend channel resistance line at $25.08 early this week. Silver positioning in the Commitments of Traders for the week ending October 13th showed Managed Money traders were net long 34,472 contracts after decreasing their long position by 1,156 contracts. Non-Commercial & Non-Reportable traders are net long 60,515 contracts after net buying 445 contracts.

While the charts in the palladium market favor of the bear camp to start news from China should help firm up support above last week's consolidation lows in December palladium around the $2,327 level. Palladium should also draft fresh speculative buying from a price forecast from "Citi" pegging palladium to return to a deficit status again with prices expected to reach $2,800 an ounce by the middle of next year and to average $2,650 for the entire year. Unfortunately for the bull camp, palladium ETF's last week reduced their holdings by 9317 ounces with the net year to date change in holdings down 15%. Given the inability to take out the $2,374 level on 3 separate occasions last week it is imperative that the palladium trade see a positive start off positive data from China and from improved US stimulus prospects as the failure to rise in sync with gold and silver this week would be discouraging to what has been a narrow bull contingent. Palladium positioning in the Commitments of Traders for the week ending October 13th showed Managed Money traders are net long 3,968 contracts after net buying 438 contracts. Non-Commercial & Non-Reportable traders net bought 310 contracts and are now net long 3,935 contracts.

Like the palladium market, the platinum market also remains within a bearish chart set up with the market showing very little reaction recently to positive global data points and to positive equity market action. However, it would appear as if platinum is drafting some lift from the risk on environment in place and the market should also draft support from a bullish "Citi" price forecast for platinum for $1100 by the end of next year. In the longer-term price forecast, Citi indicated that platinum will probably see a larger surplus next year, but that investment demand will continue to tighten the market and lift prices. In the end, it will still take a series of big-picture bullish items to throw off the fundamental downtrend. Platinum positioning in the Commitments of Traders for the week ending October 13th showed Managed Money traders were net short 795 contracts after increasing their already short position by 104 contracts. Non-Commercial & Non-Reportable traders added 555 contracts to their already long position and are now net long 14,447. Critical pivot point resistance is seen at last week's consolidation high of $878.70.

COPPER:

All things considered the bull camp in copper should be disappointed in the early action this week as a sweep of positive fundamental headlines should have boosted demand orientated buying for copper. In fact, very supportive Chinese economic data (particularly from industrial production and retail sales) should have stoked buying enough to put prices up to the highest level since mid-September! Furthermore, the bull camp should be disappointed by the fact that a mine in Chile will suspend operations due to the failure to reach a wage agreement with workers. Perhaps some in the trade were disappointed that Chinese GDP did not fully reach lofty expectations of an expansion above 5% but seeing record Chinese steel and aluminum output should facilitate an extension of bullish Chinese copper demand forecasts.

However, the market is well-aware of the positive traction in the Chinese economy and the strength of Chinese copper imports, and prices may have factored that in with their approach of $3.10. Furthermore, the net spec and fund long in copper at 61,323 contracts is within striking distance of the record spec long, and we would think pulling in a large wave of buyers will require a very conclusive bullish growth environment beyond China. The Commitments of Traders report for the week ending October 13th showed Copper Managed Money traders are net long 80,538 contracts after net buying 10,732 contracts. Non-Commercial & Non-Reportable traders added 6,198 contracts to their already long position and are now net long 61,323.

ENERGY COMPLEX:

While we think the energy markets have already factored some portion of a gradual improvement in demand as the world comes out from under the pandemic, it would appear as if those expectations have been rekindled into the opening this week. Fortunately for the bull camp, the markets were presented with favorable Chinese economic data as China saw September crude oil production increase by 2.4% over year ago levels which in turn could have dampened Chinese crude oil import demand expectations. However, the bull camp in crude oil should be emboldened by evidence that Chinese demand/imports for a very long list of physical commodities continues to be very strong which in turn has countervailed suggestions that China will slow its purchases of crude oil now that buffer stocks have been rebuilt.

On the other hand, it is possible that OPEC plus could decide to "rollover" production restraint commitments and that would serve as a significant underpin for prices going forward. While OPEC plus indicated that they intend to focus on compliance in today's meeting, it is also possible that OPEC plus will attempt to preempt the hit against demand from the 2nd wave of infections by halting their schedule of production restarts that began in August. Minor negatives facing crude oil include a 13% jump in global floating crude in storage from October 9th, lower Chinese refinery throughput for September and a large jump in US oil rig operating figures last week. Certainly, last week's EIA report helped support crude oil prices near the October highs especially with the annual crude stock deficit contracting again and all key products stocks inventories declining.

Unfortunately for the bull camp, nearly 25% of US refinery capacity was still idled as of last week thereby keeping the call on US crude oil supply at very low levels. As indicated already the weekly Baker Hughes rig count showed a massive jump of 12 rigs last week in the US which in turn put rigs operating at a 19-week high! Fortunately for the bull camp, Canadian oil rigs operating increased by only one but that tally still reached a 30-week high. In the end, traders should expect significant volatility potential as US politics are likely to come to a head with respect to stimulus this week and that combined with very serious infection counts seems to leave crude oil in a vulnerable position. The October 13th Commitments of Traders report showed Crude Oil Managed Money traders net sold 9,062 contracts and are now net long 293,829 contracts. Non-Commercial & Non-Reportable traders are net long 530,125 contracts after net buying 6,238 contracts.

With gasoline prices falling back to the middle of the recent sideways trading range bound by $1.20 and $1.10 last week off demand threats, the improvement in a number of fundamental story-lines should increase the chance of respecting last week's low of $1.1238. However, without a significant improvement in demand expectations, reports of significant gasoline shipments flowing from Europe toward the US could be justification for a temporary slide below $1.10 especially if there is any sign of conflict on the US stimulus plan or global equity markets show any daily declines larger than 3%. On the other hand, the US refinery operating rate continues to remain very low which could make it difficult for gasoline stocks to build even if demand contracts.

However, a low refinery operating rate will not be enough to offset the type of selling capable of flowing from any news of official activity restrictions due to the trend of infections last week. Reportedly only 2 out of 50 US states have seen their infection counts heading in the right direction, and therefore the onus is on the bull camp to show it can hold prices up in the middle of the last 7 weeks trading range. Gas (RBOB) positioning in the Commitments of Traders for the week ending October 13th showed Managed Money traders were net long 46,849 contracts after decreasing their long position by 2,496 contracts. Non-Commercial & Non-Reportable traders are net long 58,358 contracts after net selling 3,306 contracts.

The ULSD market sits relatively more expensive in its trading range than gasoline entering the new trading week, and it continues to have the most troublesome supply situation and easily the most troublesome demand condition. Certainly, US checkpoint security numbers are rising but US airlines in particular are on the financial ropes and are poised to make more significant layoffs and will likely cut schedules further if some form of bailout is not arrived at in the first 2 trading sessions of this week. In short, fundamental risk to longs in the ULSD market would seem to dramatically outweigh potential rewards. The October 13th Commitments of Traders report showed Heating Oil Managed Money traders were net short 8,612 contracts after decreasing their short position by 106 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 2,314 contracts to a net long 13,624 contracts.

While we have been incredulous with the natural gas market's capacity to rally recently and remain within striking distance of the 2020 highs, positive Chinese economic data and evidence that Chinese November gas demand is expected to rise 19% on a month over month basis gives significant credence to expectations of strong Chinese LNG imports from the US. Certainly, the natural gas surplus storage situation has moderated from extremes, but inventories last week were still more than 10% above their 5-year average for this time of the year. On the other hand, US export facilities have exploded over the last 5 years and therefore Chinese demand could begin to pull down US supplies at the same time that natural gas prices are roughly half of the levels seen in late 2018. However, we still think the bull camp needs assistance from the weather to forge and sustain an upside breakout.

Clearly, the US temperature forecast is supportive with below normal temperatures spreading out along the northern border from the Midwest into British Columbia and dipping far into the southern Plains. While there is a significant amount of tropical activity throughout the Caribbean and Atlantic there does not appear to be the threat of an organized storm thereby leaving the bull camp in need of an extension of US cold. Last week's Baker Hughes gas rigs increased by one while Canadian gas rigs operating declined by one. The October 13th Commitments of Traders report showed Natural Gas Managed Money traders are net long 137,793 contracts after net buying 11,025 contracts. Non-Commercial & Non-Reportable traders were net long 92,659 contracts after decreasing their long position by 557 contracts.

BEANS:

The bounce at the start of this week was impressive, but the trade action Friday was bearish and traders expect good rains of 1 to 3 inches in Mato Grosso this week and also good rains in other areas of Brazil. Plantings will still be delayed and the export window for the US will still be open into February. January soybeans tested Monday's high with early strong gains on Friday, but the market closed moderately lower on the session and may be vulnerable to back-and-fill type action. The demand tone remains very strong but market technical indicators are overbought. On Saturday, Brazil announced that they will suspend tariffs on corn and soybean imports from countries outside the Mercosur trade bloc until January 15, 2021. The tariff is currently 8% and might encourage increased imports before their crops are harvested. Brazil was an aggressive exporter of both corn and soybeans early in the marketing year and prices are now very high, and livestock producers have pressured the government as surging feed prices have hurt margins. On top of solid weekly export sales, exporters reported daily sales of 175,000 tonnes of US soybeans to unknown destination, and also 216,150 tonnes of US soybeans to unknown destination.

The weekly export sales report showed that for the week ending October 8, net soybean sales came in at 2,631,274 tonnes as compared with trade expectations for 1.5-2.2 million tonnes. Cumulative soybean sales have reached 72.2% of the USDA forecast for the 2020/2021 marketing year versus a 5 year average of 44.6%. Net meal sales came in at 152,165 tonnes. Cumulative meal sales have reached 28.9% of the USDA forecast for the 2020/2021 marketing year versus a 5 year average of 31.7%. Net oil sales came in at just 1,366 tonnes. Palm oil purchases by India fell to 643,994 tonnes in September from 734,351 tonnes in August. Shipments fell about 27% from 879,947 tonnes in September 2019. India's vegetable oil imports in year ending Oct. 31 may drop to 13.5-13.6 million tonnes, from 15.55 million tonnes a year earlier. Cooking oil imports are declining mainly due to drop in demand from the food services industry since April. India bought 316,232 tonnes of soybean oil in September vs 394,735 tonnes in August.

The Commitments of Traders report for the week ending October 13th showed soybeans managed money traders were net long 226,444 contracts after decreasing their long position by 11,950 contracts for the week. Traders expected a larger net long position, perhaps a record high. Non-Commercial & Non-Reportable traders reduced their net long position by 19,064 contracts to a net long 239,867 contracts. For Soyoil, managed money traders were net long

82,188 contracts after increasing their already long position by 1,194 contracts for the week. CIT traders are net long 114,402 contracts after net selling 5,278 contracts. For meal, managed money traders were net long 77,068 contracts after increasing their already long position by 1 contract for the week. Soymeal CIT traders hit a new extreme long of 104,080 contracts. Non-Commercial & Non-Reportable traders were net long 122,711 contracts after decreasing their long position by 8,544 contracts for the week.

CORN:

On Saturday, Brazil announced that they will suspend tariffs on corn and soybean imports from countries outside the Mercosur trade bloc until January 15, 2021. The tariff is currently 8% and might encourage increased imports before their crops are harvested. Brazil was an aggressive exporter of corn early in the marketing year and prices are now very high, and livestock producers have pressured the government as surging feed prices have hurt margins. The lower close for December corn on Friday leaves the appearance of a spike top and would suggest at least a technical correction over the short-term. Open interest remains in an uptrend which is a positive, but the divergence in technical indicators suggests a loss in upside momentum, and the market may see choppy to lower trade short-term as the overbought condition is corrected.

There are reports from the field of very dry corn around the Midwest and this has traders thinking that portions of the crop in Iowa and parts of the Western Corn Belt dried down so quickly that yield may not be adjusted higher, but more likely a bit lower. The extreme dryness in August left producers harvesting the crop early and with very low moisture levels. Talk of better rains in South America for this week helped ease crop concerns about late planted crops. On top of the weekly export sales, exporters reported a daily sale of 128,000 tonnes of US corn to Mexico. The weekly export sales report showed that for the week ending October 8, net corn sales came in at 655,165 tonnes. Cumulative sales have reached 44.9% of the USDA forecast for the 2020/2021 marketing year versus a 5 year average of 29.7%. There is talk that China may need to import near 30 million tonnes of corn this year with expectations that 24 million tonnes will come from the US.

In the last world supply/demand report total, China total imports were still pegged at 7 million tonnes. Even if we assume that 5 million tonnes are already assumed to move to China, that would suggest that 19 million tons of extra exports to China will need to be added. As a result, if China does import and extra 19 million tonnes from the US, ending stocks could tighten to just 1.419 billion bushels which would be the tightest since the 2013/14 season. The October 13th Commitments of Traders report showed managed money traders added 36,403 contracts to their already long position and are now net long 170,869. CIT traders net sold 7,031 contracts and are now net long 325,593 contracts. Non-Commercial & Non-Reportable traders are net long 222,280 contracts after net buying 33,998 contracts.

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WHEAT:

The wheat market remains in a steep uptrend with growing concerns for the winter wheat crops from the US and especially Russia. There is rain in the forecast, but not enough to ease concerns that portions of the crop in both countries will not be well-established ahead of dormancy. Increasing open interest is seen as a positive force and the market managed to trade up to a new contract high. The weekly export sales report showed that for the week ending October 8, net wheat sales came in at 528,450 tonnes for the current marketing year and 71,158 for the next marketing year for a total of 599,608 tonnes. Cumulative sales have reached 56.7% of the USDA forecast for the 2020/2021 marketing year versus a 5 year average of 53.1%. Demand has been very strong and global wheat prices remain in an uptrend. France's soft-wheat crop was 12% planted as of Oct. 12, up from 6% a week earlier and compares with 16% at the same time in 2019.

Ukraine exported 13.6 million tonnes of grain since the season started on July 1, the Agriculture Ministry said on its website. Shipments include 9.5 million tonnes of wheat, -4.7% from the previous year. The October 13th Commitments of Traders report showed managed money traders are net long 38,590 contracts after net buying 8,254 contracts in just one week. The aggressive buying trend from fund traders is a bullish short-term force. Non-Commercial & Non-Reportable traders are net long 32,699 contracts after net buying 4,410 contracts. The Commitments of Traders report for the week ending October 13th showed KC Wheat managed money traders net bought 4,818 contracts and are now net long 32,197 contracts. Non-Commercial & Non-Reportable traders net bought 127 contracts and are now net long 30,911 contracts.

HOGS:

The reversal for December hogs after reaching the highest level since November 29 of last year is a bearish technical development. While the discount to the cash market is a positive force, there seems to be some negative supply/demand factors to help rationalize a short-term peak. Germany is in talks with Asia about easing a ban on German pork due to African swine fever. There is talk of possible regional agreements as compared with a blanket national ban that is being imposed right now. Germany has confirmed 69 ASF cases since September 10 with all of them wild animals. China's third quarter pork production was pegged at 8.4 million tons, up 18% from a year ago. This was the first quarter since 2018 to show a year on year increase in pork production. Traders expected production to be down another 20% for 2020, but production in the first nine months has only dropped 10.8% from a year earlier. The market is extremely overbought technically. April hogs closed moderately lower on the session and the selling pushed the market down to the lowest level since October 7th. The market is still operating under the negative technical influence of the October 14 reversal.

The USDA pork cutout released after the close Friday came in at $97.90, down $2.31 from Thursday but up from $93.70 the previous week. The CME lean index as of Oct 14 was 78.49, up from 78.24 the previous session and up from 77.62 a week before. US pork export sales for the week ending October 8 came in at 26,803 tonnes for 2020 delivery and 1,583 for 2021 for a total of 28,386. This was down from 60,678 the previous week and the lowest since August 13. The average of the previous four weeks was 47,539. Export commitments for 2020 have reached 1.795 million tonnes, up from 1.509 million last year at this time and up from the 5-year average of 1.125 million. The largest buyer this week was Mexico at 11,862 tonnes, followed by China at 5,244. China has the most commitments at 683,763 tonnes, followed by Mexico at 473,850. The USDA estimated hog slaughter came in at 487,000 head Friday and 264,000 head for Saturday. This brought the total for last week to 2.688 million head, down from 2.730 million the previous week and down from 2.723 million a year ago. The October 13th Commitments of Traders report showed managed money traders were net long 37,154 contracts after increasing their already long position by 1,480 contracts for the week. Non-Commercial & Non-Reportable traders net sold 452 contracts and are now net long 43,687 contracts.

CATTLE:
With a weakening cash market and the lowest beef prices since August 12, the market looks vulnerable to increased long liquidation selling from funds. Managed money fund traders are still net long 56,000 contracts so sellers could be more active on weakness. December cattle closed moderately lower on the session Friday and the selling pushed the market down to the lowest level since September 9. Continued fears that positive seasonal demand factors will NOT emerge this year has helped to pressure. A general sense that cash cattle prices could trend lower in the next few weeks has added to the bearish tone. Cash live cattle prices were weaker on Friday on moderately low volume. In Kansas 1,444 head traded at 106, down from 108 earlier in the week. The 5-day, 5-area average price as of Friday was 107.52, down from 108.36 the previous week. Cattle positioning in the Commitments of Traders for the week ending October 13th showed managed money traders net sold 2,978 contracts for the week and are now net long 56,038 contracts. Non-Commercial No CIT traders reduced their net long position by 3,907 contracts to a net long 35,716 contracts.

The USDA boxed beef cutout was up 18 cents at mid-session Friday but closed 45 cents lower at $210.03. This was down from $214.06 the previous week and was the lowest the cutout had been since August 12. The USDA estimated cattle slaughter came in at 116,000 head Friday and 62,000 head for Saturday. This brought the total for last week to 654,000 head, up from 637,000 the previous week and up 1.7% from last year. Beef production for the week was up 4.2% from last year. US beef export sales for the week ending October 8 came in at 13,438 tonnes for 2020 delivery and 383 for 2021 for a total of 13,821. This was down from 22,868 the previous week and was the lowest weekly total since August 27. The average of the previous four weeks was 20,663 tonnes. Cumulative sales for 2020 have reached 797,468 tonnes, up from 767,887 last year but down from 800,202 at this point in 2018. The five-year average is 689,208.

COCOA:
The cocoa market may have already priced in the global demand concerns with its pullback this month. There is a strong chance that West Africa's production will be pulled lower by the dry

conditions earlier this year. That and the potential for political tensions in that nation in front of their presidential election could lead to tighter supplies. This could have left cocoa undervalued at current levels. December cocoa was able to shake off early pressure and finish Friday's trading session with a moderate gain. For the week, however, December cocoa finished with a loss of 71 points (down 2.9%) and a fourth negative weekly result in a row.

Asian third quarter grindings had a larger year-over-year decline than was forecast which weighed on the market early in the day. Ivory Coast political tensions helped cocoa prices to regain their footing. In addition, strength in key outside markets provided carryover support to cocoa later in the day. The cocoa market has been on the defensive since late September as it has been pressured by concern over global demand. There have been new coronavirus restrictions put in place in several European nations that are expected to reduce chocolate purchases made during travelling.

The Halloween holiday is the largest chocolate consumption period of the year in North America, and trick-or-treating and other holiday activity is expected to be down significantly this year. The market had bleak expectations for third quarter grindings totals for the three major regions (Europe, Asia and North America), with forecasts of 5% declines from year-ago levels. Asia came in much worse than expected with a decline of 10.1%. (Some forecasts did call for a double-digit decline.) Still, Asian grindings came in above 200,000 tonnes for the eighth quarter in a row. Europe and North American grind readings were down from a year ago, but they were slightly above expectations, and the market avoided the sharp decline that had been feared. Europe's was down 4.71% year-over-year, and North America's was down 4.01%.

Keep in mind that the world's top cocoa processing nation is Ivory Coast, which is not located in the three major regions. Ivory Coast 2019/20 grindings were forecast by the International Cocoa Organization to come in at 610,000 tonnes, up 0.9% from the previous season and a new record high. Cocoa positioning in the Commitments of Traders for the week ending October 13th showed Managed Money traders net sold 10,439 contracts and are now net long 19,216 contracts. CIT traders are net long 35,992 contracts after net selling 4,585 contracts. Non-Commercial No CIT traders net sold 7,470 contracts and are now net long 7,337 contracts. Non-Commercial & Non-Reportable traders are net long 31,575 contracts after net selling 10,441 contracts.

COFFEE:

Coffee prices have received some bullish supply/demand developments over the past few weeks, but they continue to face headwinds from a near-record Brazilian 2020/21 crop. With a negative shift in demand from an area of recent demand-side strength, coffee may reach a new 2 1/2 month low before the market can find its footing. December coffee was unable to hold onto early strength as it finished Friday's inside-day session with a moderate loss. For the week, December coffee finished with a loss of 4.30 cents (down 3.9%).

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WEEKLY MARKET SUMMARY

19 October, 2020

A second sizable monthly decline in US green coffee stocks provided early support as that bodes well for North American demand prospects as that showed stocks levels were down 12.9% below last year's total. In addition to a moderate pullback in the Brazilian currency, there were reports of additional lockdowns in Europe which weighed on the coffee market as improving European demand had been a source of strength to coffee prices. While there have been export delays due to a lack of shipping containers, Brazil's 2020/21 harvest is nearly complete so their warehouses will be near capacity for some time. Their 2021/22 "off-year" crop has already dealt with extended periods of drier than normal conditions earlier this year.

Updated forecasts call for daily rainfall over major Brazilian Arabica-growing regions through early next week. This should provide some relief from those dry conditions, and may benefit the upcoming flowering period for the 2021/22 crop. ICE exchange coffee stocks rose by 3,881 bags on Friday and have reached a new high for October, and are now on-track for their first monthly increase since January. There are more than 30,000 bags that are waiting to be graded and while not all will be approved, that implies a higher ICE exchange coffee stocks total by month-end.

Coffee positioning in the Commitments of Traders for the week ending October 13th showed Managed Money traders are net long 26,963 contracts after net selling 2,469 contracts. CIT traders were net long 56,064 contracts after decreasing their long position by 1,377 contracts. Non-Commercial No CIT traders were net long 20,303 contracts after increasing their already long position by 5 contracts. Non-Commercial & Non-Reportable traders net sold 591 contracts and are now net long 44,830 contracts.

COTTON:

December cotton broke out of its recent trading range on Friday and traded to its highest level since February 20. Rains across the Delta and other cotton growing regions in the US are delaying harvest and raising concerns about quality. Also, a strong September US retail sales number on Friday, with clothing store receipts up 11% from the previous month providing encouragement on the demand front. There was also a report that China had ordered cotton mills to stop buying Australian cotton, which could help US cotton exports. US cotton export sales for the week ending October 8 came in at 118,690 bales for the 2020/21 (current) marketing year and 13,200 for 2021/22 for a total of 112,070. This was down from 193,475 bales the previous week and the lowest since August 6. Cumulative sales for 2020/21 have reached 8.233 million bales versus 8.929 million bales at this point last year and 9.123 million two years ago. The five-year average is 6.871 million.

Cumulative sales have reached 61% of the USDA's forecast for the marketing year versus a five-year average of 51%. The 1-5 day forecast shows some rain in the northern Delta, and the 6-10 day forecast calls for above normal precipitation across the Delta, the southeastern US, and extending westward to eastern Texas. The October 13th Commitments of Traders report showed managed money traders net bought 6,862 contracts and are now net long 59,942 contracts. Non-Commercial No CIT traders added 9,468 contracts to their already long position and are now net long 55,978. Non-Commercial & Non-Reportable traders were net long 83,393 contracts after increasing their already long position by 9,392 contracts for the week.

SUGAR:

Sugar prices were able to overcome last Monday's wide-sweeping outside-day down to extend their streak of positive weekly results. While prices are back to within striking distance of its 2020 highs from mid-February, sugar continues to have bearish supply developments from its top 2 producers (who combined accounts for over 38% of global production) that leave the market vulnerable to additional long liquidation. March sugar was able to overcome weakness in key outside markets as they finished Friday's trading session with a moderate gain. For the week, March sugar finished with a gain of 20 ticks (up 1.4%) which was a fifth positive weekly result in a row.

Uncertainty with India approving export subsidies has given a boost to the sugar market as it may keep a notable portion of their exportable surplus out of the global export marketplace. India's government is likely to have a 2020/21 export target of 6 million tonnes, and there have been some forecasts that they could reach 7 million tonnes of exports this season. Dry weather over Brazil's Center-South cane-growing regions over the past few months has also been a source of support for sugar prices going into the weekend.

There is daily rainfall in the forecast for Center-South cane growing areas through the early part of next week. While that is likely to cause near-term delays with cane harvesting and crushing, it should also provide some relief to growing areas from those earlier dry conditions. There are reports that late monsoon rainfall over India's second and third largest sugar-producing states Maharashtra and Karnataka may delay this season's cane harvesting and should delay their start of crushing by more than a month.

The October 13th Commitments of Traders report showed Sugar Managed Money traders added 29,656 contracts to their already long position and are now net long 242,343. CIT traders added 4,825 contracts to their already long position and are now net long 262,165. Non-Commercial No CIT traders are net long 193,823 contracts after net buying 20,597 contracts. Non-Commercial & Non-Reportable traders added 26,252 contracts to their already long position and are now net long 343,457.

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.

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