ADM Investor Services, Inc.

Weekly Futures Market Summary

by the ADMIS Research Team
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BONDS:
The setback in bond prices last Friday started well in advance of the release of US economic readings. However, US housing starts and permits data were strong enough to embolden the bear camp with selling likely to be "fresh sellers" instead of long liquidators. In retrospect, this week the markets were presented with presented the largest monthly foreign liquidation of US treasury holdings in 12 months with a net sale of 65 billion in February. The Treasury markets continue to ignore a growing list of inflation signals in action that seems suspicious. In fact, with reports that Asian life insurance companies are steering away from US treasuries (due to very low returns), some market participants are getting nervous of a sharp turn higher in interest rates.

However, there is likely residual safe haven buying off the lack of lower lows in the daily US infection counts and that might be supporting short-term speculative buying. While we have no evidence to support our supposition, it is possible that global central banks are "holding down rates" to ensure that the world gets beyond the greatest crisis since World War II. In fact, China indicated it would keep its lending rate unchanged for 12 months and Israel indicated they would also hold rates down despite recovery signs.

From a shorter-term perspective, yields in Japan declined after making the biggest one-day decline since November last week. With a very thin report slate and US equities showing choppy to lower action early this week, the slow upward grind might extend. Certainly, the markets could be experiencing short covering buying, as the bond market last Tuesday held a sizable net spec and fund short! The April 13th Commitments of Traders report showed Bonds Non-Commercial & Non-Reportable traders are net short 174,492 contracts after net selling 757 contracts. For T-Notes Non-Commercial & Non-Reportable traders were net short 216,810 contracts.

CURRENCIES:
While other financial markets showed reversal/corrective action to end last week, the dollar index extended its downward track with a new low while the euro and Swiss franc continued to outperform other currencies. While our logic might prove faulty, we think traders are liquidating dollar positions and moving to higher risk/higher return potential currencies in anticipation of a wave of US re-openings later

this month. In short, China is growing and the US is growing and that should provide significant help for Europe when their infections come under control.

With a massive range-down spike, it appears as if the dollar is poised for a return to 90.00. In fact, the prospect of stop loss selling remains very high, with the last speculative positioning report showing a moderately large net long. Dollar positioning in the Commitments of Traders for the week ending April 13th showed Non-Commercial & Non-Reportable traders net bought 697 contracts and are now net long 8,928 contracts. Apparently, the dollar is locked into an inverse trade with bitcoin, with some analysts suggesting something nefarious against the dollar is taking place. We would remain bearish toward the dollar as-long-as it consistently trades below 91.80.

Not surprisingly, a large washout in the dollar has resulted in a large range up move in the euro. With macroeconomic psychology not optimistic, we are very surprised that the euro has managed such a significant rally and for some that suggests something mechanical from central banks might be in play. However, with the euro rising significantly from the last positioning report and holding a substantial net long already, the market will have to pull in fresh traders to fuel the euro back toward 1.225. Euro positioning in the Commitments of Traders for the week ending April 13th showed Non-Commercial & Non-Reportable traders net bought 4,705 contracts and are now net long 105,574 contracts.

While Japanese March import, export and industrial production readings were generally positive those readings are based on year ago comparisons. In fact, February industrial production declined by 2% on a year-over-year basis and declined by 1.3% on a month over month basis. Therefore, the Yen is being fueled by something other than economic numbers and we suggest that it is garnering buying as a recovery play. Not surprisingly, the Swiss franc has also ranged sharply higher and appears to be headed back toward its 200-day moving average. With global infections remaining troublesome, we think the Swiss trade is speculating on an end to the lockdowns in the US. However, we think the trade also sees the Swiss franc as a currency with major potential returns ahead.

The Pound is also benefiting from the sharp washout in the dollar and is likely caught up in the wave of gains in nondollar currencies. A private UK house price index for April posted month over month and year-over-year gains and that adds to buying interest. While the Canadian is also benefiting from the washout in the US dollar, it's gains have been muted compared to other currencies this morning. The currency will likely see some minimal reaction to Canadian housing starts for March.

STOCKS:
While various segments of the market Friday made all-time highs, the magnitude of the gains were unimpressive. Apparently, the markets were short-term technically overdone, and the markets were disappointed by a disappointing loss in Morgan Stanley earnings. On the other hand, the majority of bank/financial entity earnings were positive and the trade was also supported by solid US housing starts and permits. Global equity markets at the start of this week were mixed with Chinese and European stocks higher and slightly weaker starting action seen in Europe and the US. While it-would-appear sentiment in the marketplace remains conclusively bullish, the rate of daily gain in prices for the month of April has been narrow but the pattern has been very uniform.

Certainly, the S&P futures are showing corrective action to start out the week, but we suspect the market will claw toward the 4200 level in the near term. However, the index is likely being limited by the lack of downward motion in daily US infections and perhaps because TSA daily security checkpoint numbers have not managed to rise to the psychologically important 2 million level. After such a long series of new highs, traders might have expected the net spec and fund long to be excessive but instead the market as of last Tuesday was virtually flat. The April 13th Commitments of Traders report showed E-Mini S&P Non-Commercial & Non-Reportable traders were net long 38,875 contracts after increasing their already long position by 22 contracts. Uptrend channel support in the S&P today is 4132.50.

With the Dow futures managing another print above 3400 early this week and the speculative component as of early last Tuesday still net spec and fund short, the index looks to have additional buying capacity. The Commitments of Traders report for the week ending April 13th showed Dow Jones $5 Non-Commercial & Non-Reportable traders were net short 2,256 contracts after decreasing their short position by 1,977 contracts. The index should also garner lift from news of a Microsoft $1 billion investment in Malaysia for a data center in the region as that signals the expansion of their global reach.

Like the Dow, the NASDAQ also holds a net spec and fund short and that should leave the index with plenty of buying capacity. The April 13th Commitments of Traders report showed Nasdaq Mini Non-Commercial & Non-Reportable traders net bought 1,710 contracts and are now net short 10,812 contracts. The NASDAQ could be held back early this week by leadership changes at China's ANT and Game stop. Unfortunately for the bull camp a series of wide trading ranges from last week leaves thin and unreliable support at the start of this week.

GOLD, SILVER & PLATINUM:
With soaring lumber prices catching daily international attention, extreme volatility overnight in crypto currencies, grain hitting prices hitting 8-year highs and the Fed still promising to hold rates down in the face of inflation, we have a-very-unique historical situation. In fact, the upside breakout action in gold to start the new trading week maybe a sign the markets have thrown off what has been sloppy and anemic action. In our opinion, we have not seen so many signs of inflation in our 36 years of analysis. Standard inflation measures world-wide are flaring (PPI and CPI indices) and industrial material prices surging fundamentals and technical momentum should fuel prices sharply higher

While the impact might not be immediate, news that China will now allow domestic and foreign banks to import large amounts of gold is a potential major driving force for gold. It is difficult to determine how much gold the Chinese central bank holds, but for them to bring their central bank gold reserves up near the level of the US (Aug 2020 8,134 tonnes), Chinese gold holdings (Aug 2020 1,948 tonnes) would have to quadruple. In a bullish technical development last week's rally was forged on rising open interest and we suspect that will be followed by a reversal in money flows back toward gold and silver ETFs. It is also possible that classic fund managers will be moving into gold, especially in-the-event that equities rise further and the initial waves of the inflation spiral.

Fortunately for the bull camp, the net spec and fund long in gold sits half of the net spec and fund long seen on February 25th and therefore the bull camp has buying fuel in reserve. The Commitments of Traders report for the week ending April 13th showed Gold Managed Money traders were net long 64,766 contracts after decreasing their long position by 12,640 contracts. Non-Commercial & Non-

Reportable traders reduced their net long position by 4,913 contracts to a net long 209,497 contracts. As indicated in the gold coverage, the silver market has also transitioned from a choppy directionless market into what appears to be the beginning of a moderate and perhaps significant uptrend.

Early last week, the May silver contract climbed above its 200-day moving average and appears to be poised to extend on the upside. Like gold, the silver market retains speculative buying fuel with its most recent spec and fund long positioning at less than half of the net spec and fund long seen in February 2020. Silver positioning in the Commitments of Traders for the week ending April 13th showed Managed Money traders are net long 28,885 contracts after net buying 4,001 contracts. Non-Commercial & Non-Reportable traders net bought 4,548 contracts and are now net long 55,834 contracts.

With a fresh upside breakout in June palladium to start the trading week, and gold joining the move, we suspect palladium prices will be traversing the $3,000 level soon. As in other precious metal markets, we suspect surging futures prices will soon spark increased ETF inflows as investors adopt the "fear of missing out". In fact, given the new all-time high price forged early this week, buyers who have never traded palladium are likely to chase the market. In other words, in-the-event that money begins to flow toward a thin market like palladium, prices could begin to emulate lumber prices.

In the most recent ETF holdings reading, palladium holdings were at a mere 507,265 ounces or one-eighth of the level seen in platinum! As in the rest of the precious metals complex, the net spec and fund long in the palladium market is very small with the most recent reading at one-seventh of the record long. Palladium positioning in the Commitments of Traders for the week ending April 13th showed Managed Money traders added 274 contracts to their already long position and are now net long only 3,694 contracts. The COT report as of April 13th showed Non-Commercial & Non-Reportable traders added 140 contracts to their already long position and are now net long 3,514.

Unfortunately for the bull camp in the platinum market, its net spec and fund long position is 20,000 contracts above the lows seen last year and that is surprising considering that prices have chopped sideways for 4 months. However, the platinum market should be seen as a cheaper alternative to palladium especially in the event there is a significant speculative inflow toward all precious metal markets in the week ahead. Platinum positioning in the Commitments of Traders for the week ending April 13th showed Managed Money traders were net long 14,978 contracts after decreasing their long position by 9,286 contracts. Non-Commercial & Non-Reportable traders were net long 34,538 contracts after decreasing their long position by 6,652 contracts.

COPPER:
With both China and the US posting positive scheduled data last week, China confident enough on its control of the virus to hold the Shanghai auto show, it is not surprising to see copper demand hopes improve. As indicated already, surging lumber prices (for some unbelievable) and a given list of industrial material prices rising sharply in China, copper should also see physical hedge buying. Some traders suggest that copper has already priced in significant Chinese copper demand, but we now think the market is just starting to embrace prospects for improving non-Chinese demand.

From a technical perspective, the copper market has corrected its historic overbought condition from late last year with the most recent spec long 40% below the record spec and fund long positioning.

Copper positioning in the Commitments of Traders for the week ending April 13th showed Managed Money traders net sold 9,864 contracts and are now net long 38,273 contracts. Non-Commercial & Non-Reportable traders net sold 5,046 contracts and are now net long 49,583 contracts.

ENERGY COMPLEX:
The energy markets were the only major commodity group trading lower at the start of this week, and that is partially the result of a short-term overbought condition from last week, but also because of serious ongoing global infection rates. It is also likely that a 3.4% weekly rise in global floating storage has undermined prices. However, talk in the media has also pointed to a continued reduction of the pandemic supply glut! Another pressure on crude prices is news that the US Department of Energy has requested bids for up to 9 million barrels of sour crude from the US strategic reserve. While the energy markets have been able to "find" fresh bullish information regularly over the past 6 months, that information might be seen from Chinese March crude oil imports rising by 20.8% on a year-over-year basis.

From a longer-term perspective, the bear camp should be cheered by last week's Baker Hughes oil rig count which increased by 7 and reached the highest level since April of last year. However, Canadian oil rigs declined by 2 and are at the lowest since August 2020. The US rig operating count is at 344 rigs, while the Canadian oil rigs operating are a mere 17. In short, longer-term supply looks to return from the return to pricing above $60.00, but in the near term, the race between supply and demand continues. Fortunately for the bull camp in crude oil, the US refinery operating rate is rocketing higher and therefore prompt demand for US crude should be strong and that could potentially leave crude oil stronger than product prices. On the other hand, the net spec and fund long positioning in the crude oil market remains within 40,000 contracts of the largest net spec and fund long since August 2020.

The April 13th Commitments of Traders report showed Crude Oil Managed Money traders are net long 368,921 contracts after net buying 8,274 contracts. Non-Commercial & Non-Reportable traders net sold 21,548 contracts and are now net long 586,267 contracts. In our opinion, for the bull camp to regain control will likely require evidence this week of further declines in global floating storage. The US crude market enters the seasonal upswing in refinery activity with a year-over-year deficit of 11.1 million barrels, and we suspect the refinery operating rate will continue to rise until it matches the five-year average above 87% and begins its rise toward 93% which is typically the peak forged in August.

As indicated in the crude oil coverage, the ramping up of the US refinery operating rate creates a very significant junction for both gasoline and diesel. In other words, unless demand improves, supply is on the way and could sink gasoline prices back below $2.00. Unfortunately for the bull camp, US infections in the last 5 days have likely extended some lockdowns and therefore we see solid resistance in the RBOB market at $2.06. On the other hand, the net spec and fund long in gasoline is surprisingly modest given the last 4 weeks low to high rally of $0.20. The April 13th Commitments of Traders report showed Gas (RBOB) Managed Money traders were net long 55,957 contracts after decreasing their long position by 7,227 contracts. Non-Commercial & Non-Reportable traders net sold 7,974 contracts and are now net long 52,714 contracts.

The distillate market has suspect charts to begin the week and did see a disappointing implied distillate demand reading from the US last week. However, American Airlines has indicated they are no longer "burning cash" and that could be a precursor to adding flights. However, for the market to continue toward the March highs, the daily TSA checkpoint travel numbers will have to post readings consistently above 1.7 million per day to provide a fresh demand argument for Jet fuel. On the other hand, the net spec and fund long positioning in heating oil is very modest with the net long sitting 60,000 contracts below the record high of 93,153 contracts. Heating Oil positioning in the Commitments of Traders for the week ending April 13th showed Managed Money traders added 252 contracts to their already long position and are now net long 16,894. Non-Commercial & Non-Reportable traders added 3,205 contracts to their already long position and are now net long 29,710.

The natural gas market has shown many failed attempts to rally and has basically chopped with in a $0.65 range for nearly 9 months, and therefore it is difficult to respect the upside breakout. On the other hand, the breakout this morning feels significant and late season US cold weather has likely prevent aggressive rebuilding of inventories recently. However, the natural gas inventories as a percent of the five-year average moved into surplus territory last week, and it could take a very definitive risk on environment (bordering on inflation) to attract speculative interest to natural gas. It should be noted the natural gas market as of the positioning report last Tuesday held a net spec and fund short and therefore the market retains buying capacity.

Natural Gas positioning in the Commitments of Traders for the week ending April 13th showed Managed Money traders net bought 17,860 contracts and are now net long 18,591 contracts. Non-Commercial & Non-Reportable traders were net short 31,437 contracts after decreasing their short position by 1,025 contracts. While US temperatures remain cool in the eastern half of the country, temperatures are climbing back toward normal. From a technical perspective, the natural gas market has climbed above its 200-day moving average and extended sharply after that breakout hinting at the beginning of an uptrend and inflation buying.

BEANS:
November soybeans managed to close 10 3/4 cents higher on the week last week, finding most of their support recently from strength in vegetable oil prices. Meal continues to struggle as traders remain nervous that AFS is reducing the size of the Chinese hog herd. However, the China pork supply has not been hit as hard as feared and pig prices in China are under pressure. China's national average spot pig price today was down 2.1%. For the month, prices are down 7.2% and down 34.2% year to date. Reports suggest that the China hog herd is 416 million head as of March 31st vs 406 million on Dec 31st. The sow herd grew 28% on the year to 43 million head. There have been reports of ASF outbreaks across some parts of western and northern China since January, but these were apparently only isolated incidents, unlike the 2018 and 2019 outbreaks. According to China's Ministry of Agriculture and Rural Affairs, six ASF outbreaks were reported in China in 2020, with the last having occurred in October. All the six outbreaks were dealt with quick quarantine measures and stricter inter-provincial transportation policies.

The extremely tight ending stocks outlook continues to provide underlying support. Keep in mind that if we have the same yield as last year and we plug in the new planted acreage number, total supply does not reach as high as the demand numbers presented at the USDA Outlook Forum in February. The soybean market was able to extend its recovery move with a fourth positive daily result in a row as it finished Friday's trading session with a moderate gain. The strongest member of the soy complex was bean oil which posted its third "triple-digit" daily gain over the past 4 sessions on Friday. Reports of a strike at an Argentine crushing facility provided early support to the market, with stronger palm oil prices provided additional carryover support to bean oil.

The April 13th Commitments of Traders report showed Soybeans Managed Money traders were net long 142,258 contracts after decreasing their long position by 12,047 contracts (long liquidation). Non-Commercial & Non-Reportable traders were net long 169,104 contracts after decreasing their long position by 13,706 contracts. For soyoil, Managed Money traders net bought 4,128 contracts and are now net long 81,165 contracts. Non-Commercial & Non-Reportable traders are net long 108,689 contracts after net buying 1,876 contracts. For soymeal, Managed Money traders reduced their net long position by 17,515 contracts to a net long 43,830 contracts (long liquidation). CIT traders were net long 86,388 contracts after increasing their already long position by 4,874 contracts.

CORN:
Concern over tightening domestic supplies in China continue to support, and dry conditions over Brazilian growing areas and dryness for the northwest corn belt have been additional sources of strength. In Center West Brazil which accounts for about 70% of winter corn plantings, it is expected to dry up starting early next month, and this could be an issue for the crop. Brazil's second corn crop represents 76% of the nation's total supply, and buyers are counting on the harvest to ease corn prices which have more than doubled in the past 12 months. High prices are squeezing margins at meat producer and other purchasers, spurring imports into Brazil, one of the biggest growers and the No. 2 exporter.

Dryness in key parts of Brazil plus continued concerns about dry condition in the western Corn Belt continues to help support the uptrend in corn. For the upcoming growing season, if we use the previous record high yield of 176.6 bushels per acre and plug it into the current planting and beginning stocks estimates, ending stocks for the new crop season could drop to 951 million bushels and result in a stocks/usage ratio of 6.3%. This would be the second tightest year on record. If we use the same yield as last year, ending stocks could slide to 568 million bushels with a stocks/usage ratio 3.8%, a record low. There is just no room for any type of weather that does not bring about a significant increase in yield over the previous record.

China's top corn-growing province is boosting subsidies for farmers by offering higher subsidies to corn growers this year in an attempt to boost plantings. Subsidies will be raised from last year as the province follows the government's call to expand corn acres. The market is technically overbought, but the recent Commitments of Traders reports showed there is room for more spec buying before we reach extreme levels. Short-term, corn prices are higher than wheat in China which could slow demand for corn and boost demand for wheat. Index funds are well short their record positions. Corn positioning in the Commitments of Traders for the week ending April 13th showed Managed Money traders were net long 401,993 contracts after increasing their already long position by 15,374 contracts. Non-Commercial No CIT traders added 20,046 contracts to their already long position and are now net long 375,789. Non-Commercial & Non-Reportable traders are net long 49

WHEAT:
Wheat prices rallied to a new 7-week high last Friday, but came under pressure late in the day to finish with a minimal loss. For the week, July wheat closed 14 1/2 cents higher. December Minneapolis wheat jumped 7 cents for the week as dry conditions in the northern and central Plains provided the wheat market with early support. The potential risk from frost over European growing areas should ease this week, however, and that may have fueled additional long liquidation heading into the weekend. The 5-day forecast shows very little rain in the central Plains and just trace amounts in the Dakotas. The 6-10 day outlook calls for below normal precipitation and cool temperatures and the 8-14 day models show above normal temperatures for the central and southern Plains and below normal precipitation.

Drought conditions are beginning to spread from the western United States into North and South Dakota and the Canadian Prairies. If this situation persists, wheat production could decline. This would tighten the global exportable surplus, as Canada and the US are both major exporters. The fact that corn prices are trading above wheat prices in China has shifted demand significantly. China wheat imports in March reached 440,000 tonnes, -24.3% from last year. Year to date imports jumped to 2.92 million tonnes, up 131.2% from last year's pace. China is expected to use 40 million tonnes of wheat for feed in 2020/21 versus 19 million last year. Traders believe that if corn prices stay high in China, an additional 30 million tonnes of wheat would be used for feed.

World wheat ending stocks for the 2020/21 season are forecast at 295.5 million tonnes, so a 30 million-tonne boost in usage would tighten world supply. The Commitments of Traders report for the week ending April 13th showed Wheat Managed Money traders added 5,634 contracts to their already short position and are now net short 13,217. Non-Commercial & Non-Reportable traders net sold 3,599 contracts which moved them from a net long to a net short position of 2,782 contracts. For KC wheat, Managed Money traders reduced their net long position by 3,482 contracts to a net long 11,028 contracts. Non-Commercial & Non-Reportable traders added 4,292 contracts to their already long position and are now net long 11,359.

HOGS:
A report that 1st quarter Chinese pork production was up 31.9% from year ago levels underscores the sharp recovery in their hog sector and the likelihood that their pork import needs will drop off. The selloff in June lean hogs accelerated with the expanded limits on Friday, with the market trading to its lowest level since March 23. The market is still operating under the negative technical influence of a sweeping key reversal from April 12. In addition, the market experienced a weekly key reversal from a contract high which suggests that a major top is in place. This came on top of a disappointing US export sales report on Thursday that showed weekly pork sales falling to their lowest level since December. China bought only 102 tonnes for the week. For the month of March, China imported 460,000 tonnes of pork, up 16.1% from last year. For the first quarter, China imported 1.16 million tonnes or up 22% from last year's pace. The USDA pork cutout, released after the close Friday, came in at $110.80, down from $112.38 on Thursday and down $111.74 the previous week.

The CME Lean Hog Index as of April 14 was 103.03, up from 102.70 the previous session and up from 100.94 the previous week. June is now discount to the cash market. The USDA estimated hog slaughter came in at 468,000 head Friday and 75,000 head for Saturday. This brought the total for last week to 2.469 million head, up from 2.445 million the previous week and up 10.3% from a year ago. Pork production for the week was up 11% from last year. Friday's Commitments of Traders report showed managed money traders were net buyers of 1,027 contracts of lean hogs for the week ending April 13, increasing their net long to 77,960. Non-commercial & non-reportable traders were net buyers of 1,243, increasing their net long to 87,455. China's national average spot pig price today was down 2.1%. For the month, prices are down 7.2% and down 34.2% year to date.

CATTLE:
After a key reversal, June cattle has close lower for 7 sessions in a row as the market probes for a short-term low. Strength in the beef market and strong consumer demand signals would suggest that the market should find support soon. However, traders are nervous that surging feed grain prices could spark an increase in non-fed cattle slaughter. With the selloff last week, the market is trading at a slight discount to the cash market. This is despite continued gains in beef prices.

The USDA boxed beef cutout was up 32 cents at mid-session Friday but closed 57 cents lower at $276.05. This was up from $272.17 the previous week. On Thursday, the cutout reached its highest level since June 3, 2020. Cash live cattle ended last week steady to slightly weaker than the previous week. As of Friday afternoon, the 5-day, 5-area weighted average cattle price was 121.75, down from 121.86 the previous week. The S&P 500 reached another all-time high today, and housing starts reached a 15-year high, which should be good for domestic consumption.

On the other hand, hog prices sold off sharply, and this is likely pressuring cattle prices. The USDA estimated cattle slaughter came in at 113,000 head Friday and 70,000 head for Saturday. This brought the total for last week to 640,000 head, down from 641,000 the previous week but up from 486,000 a year ago. Friday's Commitments of Traders report showed managed money traders were net sellers of 4,653 contracts of live cattle for the week ending April 13, reducing their net long to 87,231 (long liquidation). Non-commercial, no CIT traders were net sellers of 2,935, reducing their net long to 64,014. Non-commercial & non-reportable traders were net sellers of 2,981, reducing their net long to 95,217.

COCOA:
Cocoa prices were only able to increase by a total of 5 points during Thursday and Friday with both sessions having daily ranges of over 40 points each, which indicates that the market may continue to see volatile price action early this week. Although near-term demand concerns continue to shadow the market, cocoa now has more evidence that global demand has been improving since the middle of last year and should keep an upward trajectory over the second and third quarters. July cocoa saw choppy trading action early in the day, but maintained upside momentum as it went on to post a minimal gain for Friday’s trading session.

For the week, July cocoa finished with a gain of 77 points (up 3.2%) which broke a 4-week losing streak. Following a positive year-over-year result for first quarter North American grindings late Thursday, the first quarter Asian grindings came in at 213,858 tonnes which was a 3.14% year-over-year increase that was above the median forecast and near the high end of the range of forecasts. This was Asia’s highest first quarter reading on record, their fifth highest reading for any quarter and the tenth quarter in a row that Asian grindings came in above 200,000 tonnes.

While Europe was the only major region that showed a year-over-year decline, their first quarter grindings total was at least 3% higher than the previous 3 quarters and their eighth highest quarterly result on record, which also shows improving global demand this year so far. While the Eurocurrency had a lukewarm finish to the week, it remains close to 4-week highs while stronger equity markets around the global provided carryover support to cocoa prices as that bodes well for demand prospects over the rest of this year.

The Commitments of Traders report for the week ending April 13th showed Cocoa Managed Money traders added 2,528 contracts to their already long position and are now net long 15,914. CIT traders net sold 4,409 contracts and are now net long 35,890 contracts. Non-Commercial No CIT traders went from a net short to a net long position of 2,954 contracts after net buying 5,060 contracts. Non-Commercial & Non-Reportable traders added 1,866 contracts to their already long position and are now net long 33,853.

COFFEE:
After a more than 2-week rally, coffee ran out of upside momentum going into the weekend. The market has a bullish supply outlook and improving demand prospects, so it should stay fairly well supported on near-term pullbacks. July coffee fell back from a 4-week high posted early in the day as it finished Friday's outside-day trading session with a heavy loss. For the week, however, July coffee finished with a gain of 2.05 cents (up 1.6%) and a second positive weekly result in a row.

An early pullback in the Brazilian currency weighed on coffee prices as that may encourage Brazil's farmers to market their remaining supply from the 2020/21 season. ICE exchange coffee stocks increased by 8,559 bags on Friday and reached a 1-year high, which reflect subdued European demand that has also pressured the coffee market. In contrast, US green coffee stocks have fallen to their lowest levels since June 2015 which shows the strength of North American supermarket and internet sales since late last year. Brazil's upcoming 2021/22 production includes an "off-year" Arabica crop that normally has a sizable decline from the previous season.

Brazil's major Arabica growing regions have dealt with drier than normal conditions since the middle of 2020 that had a negative impact on coffee trees. As a result, many analysts and traders expect Brazil's 2021/22 coffee production to decline at least 30% from their 2020/21 output, with some forecasts ranging up to a 50% decline. Colombia's first quarter production has come in higher than last year but may have problems with heavy rainfall over the next few months, while Honduras, Guatemala and Nicaragua are still dealing with the aftermath of back-to-back severe storms last November.

Coffee positioning in the Commitments of Traders for the week ending April 13th showed Managed Money traders were net long 10,499 contracts after increasing their already long position by 5,463 contracts. CIT traders net bought 1,956 contracts and are now net long 71,408 contracts. Non-Commercial No CIT traders are net long 11,317 contracts after net buying 4,457 contracts. Non-Commercial & Non-Reportable traders are net long 32,755 contracts after net buying 5,617 contracts.

COTTON:
The cotton market remains in a steady uptrend channel as the surge in the stock market and the strong and very liquid economy help to support. December cotton closed lower Friday but closed higher for the

second week in a row. The June Dollar Index was lower again on Friday, and it closed below the 50-day moving average for the first time since February 25, which is technically bearish for the dollar and supportive to cotton. Cotton is drawing considerable support from concerns the drought in Texas will pull production down again this summer. The most recent drought monitor, released on April 15 (and as of April 13) showed most of the state under some sort of drought condition, ranging from moderate to exceptional (the most extreme rating). The 6-10 and 8-14 day forecasts call for below normal precipitation across most of the state, leaving little opportunity for improvement. There was some talk last week that cotton plantings have been delayed, and there was also talk of the likelihood of a large abandonment rate this year. Monday afternoon's weekly USDA Crop Progress report could offer clues to the extent that plantings have being delayed.

India's monsoon is expected to be "average" this year, which is 96-104% of normal rainfall. In 2020/21, India tied with China for being world's largest producer of cotton at 29 million (480-pound) bales. US was next at 14.7 million. India was the third-largest exporter at 5.70 million bales, with the US the largest at 15.75 million and Brazil second largest at 10.50 million. Friday's Commitments of Traders Report showed managed money traders were net sellers of 1,896 contracts of cotton for the week ending April 13, reducing their net long to 50,086. Non-commercial & non-reportable traders were net sellers of 1,440, reducing their net long to 80,067. The selloff from the February highs has allowed the spec traders to correct a portion of their overbought conditions. This is the smallest net long for managed money since September.

SUGAR:

Sugar prices have only had one negative daily result over the past 10 sessions and are back within striking distance of a new multi-year high. While a negative shift in key outside markets could put some brakes on this current upmove, sugar has bullish supply factors that should keep the market well supported on near-term pullbacks. July sugar maintained upside momentum and reached a new 7-week high before finishing Friday’s trading session with a sizable gain. For the week, July sugar finished with a gain of 115 ticks (up 7.5%) which was a second positive weekly result in a row and the largest weekly gain since April 2020. A rebound into positive territory for the Brazilian currency provided sugar with carryover support going into the weekend.

While energy prices finished last week on a downbeat note, they remain close to 1-month highs that can encourage Brazil’s Center-South mills to increase ethanol’s share of crushing this season at the expense of sugar. India’s 2020/21 sugar production through last Thursday came in at 29.4 million tonnes which would be 17% ahead of last season’s pace. Their previous top-producing state of Uttar Pradesh has seen this season’s sugar producing fall 6.7% behind last season’s pace, however, as they are likely to be passed by the state of Maharashtra (71% ahead of last season’s pace) and fall into second place.

An official at India’s Ministry of Earth Sciences forecast their nation’s 2021 monsoon rainfall would come in at 98% of their long-term average, which would be in the normal rainfall category that is between 96% and 104% of the long-term average. China’s sugar imports during the first quarter came in at 1.24 million tonnes which was 205.9% above last year’s total, which may help to soothe concern with upcoming Chinese import demand prospects.

Sugar positioning in the Commitments of Traders for the week ending April 13th showed Managed Money traders are net long 178,235 contracts after net buying 16,285 contracts. CIT traders reduced their net long position by 5,677 contracts to a net long 224,648 contracts. Non-Commercial No CIT traders net bought 16,978 contracts and are now net long 117,737 contracts. Non-Commercial & Non-Reportable traders added 18,801 contracts to their already long position and are now net long 251,412.

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