ADM Investor Services, Inc.

WEEKLY MARKET SUMMARY

4 August, 2020

For the Week of August 3, 2020

BONDS:

A number of US treasury instruments forged new all-time highs again early this week with US bonds making higher highs and proceeding in the general direction of their all-time highs from earlier in the year. Obviously a 33% contraction in quarterly growth combined with another week of increased US jobless claims heads wait to the belief that the US recovery has lost traction. The sharp slide in US data should add urgency to Congress to come to an agreement on the next stimulus package and with the death toll rising until that package is agreed upon, bond a note prices should continue to claw higher.

While the trend in the Treasury markets is likely to remain up, a measure of technical profit-taking and a series of favorable global manufacturing readings give the bear camp initial control. In addition to better-than-expected Chinese PMI, the markets also saw a recovery in German, French, UK and overall Euro zone manufacturing readings. However, the real test of the bear's resolve in bonds and notes will be seen following the US sweep of manufacturing PMI and ISM manufacturing results for July. On the other hand, a vehicle sales reading for July could provide a temporary selling pulse, as auto sales have been a strong component of the economy due to social isolation and low interest rates.

From the political front, the prospects of a compromise on the coronavirus aid package seem small to start and it could take a massive slide in the Dow Jones industrial average this week to prompt Congress to do their job. From a technical perspective, spec and fund traders continue to be short bonds which should continue to be a source of buying fuel going forward. The July 28th Commitments of Traders report showed Bonds Non-Commercial & Non-Reportable traders added 7,956 contracts to their already short position and are now net short 82,123. In the T-Note market Non-Commercial & Non-Reportable traders are net long 174,107 contracts after net buying 31,838 contracts.

CURRENCIES:

While the dollar avoided a fresh new low for the move in the immediate aftermath of US scheduled data early Friday, it ultimately caved in and forged new lows. Clearly, the US dollar was losing its macroeconomic differential edge versus a number of other countries and it is growing more likely that the US is destined to leave its rates lower for longer than other areas. In short, a number of fundamental reasons suggested the dollar will continue to slide. The action in the dollar from last Friday's spike low would seem to be indicative of a corrective bounce unless US PMI/ISM data manages to match the optimistic data seen from the rest of the world.

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In fact, we were a little surprised to see the dollar tracking higher early this week given a US downgrade by Fitch but also because of news that the July US infection counts posted a new all-time monthly high. Nonetheless the dollar was significantly oversold into the low Friday and a measure of corrective bounce should create a fresh selling opportunity. The July 28th Commitments of Traders report showed Dollar Non-Commercial & Non-Reportable traders are net short 7,975 contracts after net selling 1,190 contracts.

What goes up aggressively is probably destined to correct aggressively, as the euro in July forged a 700-point rally and culminated that rally with a massive spike high/key reversal. In fact, the euro did not benefit from a very impressive sweep of favorable European PMI readings and that suggests that technical factors are driving the bus. A normal retracement/fresh long entry point is seen down at 1.1645 (from the July rally). Euro positioning in the Commitments of Traders for the week ending July 28th showed Euro Non-Commercial & Non-Reportable traders hit a new extreme long of 223,289 contracts. Non-Commercial & Non-Reportable traders added 37,121 contracts to their already long position and are now net long 223,289.

The Yen is also in a corrective track early this week with the setback already violating a number of retracement levels in a fashion that suggest a dip back down into the 94.00 and 92.00 range is at hand. We suspect that the Yen is seeing some additional selling from its GDP contraction but relatively speaking the 2.2% decline in Japanese growth is significantly better than a-number-of countries. Certainly, we see some measure of support at 94.00.

Like the euro, the massive rally in the 2nd half of July left the Swiss franc significantly overbought with open interest reaching up to the highest level since last December. While domestic data from Switzerland is of little importance to the daily direction of the currency, scheduled data showed consumer prices holding up against deflation slightly better than expected and disappointing purchasing managers readings for July. The first retracement point from the 2nd half of July rally projects downside targeting this morning at 1.0873.

While it would appear to be a day of correction throughout the currency markets, the magnitude of the decline in the Pound is relatively narrow and somewhat impressive. However, UK manufacturing PMI data was disappointing, and the Pound was overbought from the 600-point 2nd half of July rally. A normal retracement of the 2nd half of July rally projects the Pound down to 1.2910. All things considered, the corrective action in the Canadian from last week's triple high has been very modest. Nonetheless, it would appear to be a corrective start to the week in the currency markets and a slide back to consolidation low support of 74.17 would not be surprising.

STOCKS:

While the markets were undermined as a result of disappointing news from jobless claims and US 2nd quarter growth last week, prices did manage to recover from the data washout with the

NASDAQ actually turning positive in Friday's early afternoon action. However, the market did see some favorable price action from Qualcomm, UPS and Procter & Gamble following their earnings reports. In the end, stark warnings from the US Federal Reserve chairman yesterday suggesting we are facing the worst conditions of our lifetime were given fresh impetus following the largest decline in US growth since the Great Depression. Global equity markets at the start of this week were mixed with Asian stocks generally higher and a smattering of European stocks lower.

Investors are certainly comforted by a series of positive PMI readings from around the world, but any optimism from those results are tempered by stories of infections surges in a long list of countries! While there could be a breakthrough on the push for a fresh stimulus package in the US the equity markets in general are disappointed with the lack of forward progress. Therefore, the bull camp needs a generally positive take away from a fairly active slate of US scheduled data to propagate the recent pattern of higher highs in the S&P and NASDAQ.

From the charts, the bull camp would seem to have an edge as prices did manage a higher high early Monday and reach the highest trade since July 23rd. Apparently the trade continues to draft investment interest from the historically impressive big tech earnings blowout last week and the market is likely drafting further support from the sweep of favorable global PMI readings. In fact, with the latest positioning report showing the index "remains short" the index would seem to maintain stop loss buying and fresh investment buying capacity. The July 28th Commitments of Traders report showed E-Mini S&P Non-Commercial & Non-Reportable traders were net short 159,064 contracts after increasing their already short position by 18,463 contracts.

Obviously, the Dow continues its divergence with the rest of the market, with a recent pattern of lower highs and lower lows definitively conflicting with the bullish action in the S&P and NASDAQ. Given the lack of confidence/interest in large Dow stocks, that makes US scheduled data extremely important to the bull camp. In the end, seeing unemployment aid run out infections on the rise and negative charts that would seem to project another spike below 26,000. On the other hand, a quasi-double low down at 25,900 could support prices if virus anxiety remains modest especially with the COT report documenting a net spec and fund short in Dow Futures. The Commitments of Traders report for the week ending July 28th showed Dow Jones $5 Non-Commercial & Non-Reportable traders were net short 6,888 contracts after decreasing their short position by 4,140 contracts.

With a fresh higher high for the move to start the trading week and residual lift flowing from last week's out of the park earnings results from big tech, a return to the July 21st high of 11,058 would appear to be in the offing. However, NASDAQ futures showed a net spec and fund long positioning and given the gains since that report was measured, we suspect the net long has grown and the market could soon have trouble locating fresh buying interest. The Commitments of Traders report for the week ending July 28th showed Nasdaq Mini Non-Commercial & Non-

Reportable traders were net long 30,597 contracts after increasing their already long position by 11,929 contracts.

GOLD, SILVER & PLATINUM:

In early action this week, December gold forged another trade above $2,000 with the primary bullish theme seemingly the expanding uncertainty from the reemergence of infection problems "throughout the world". Clearly gold appears to be poised to carry a long list of bullish fundamentals into the new trading week even if some of those forces (Stronger Dollar) are providing some initial resistance to start. However, the Dollar did see the largest monthly dollar decline in 10 years in July, the Fed is calling on Congress to provide stimulus, infection counts continue to surge around the world, traders took delivery of a record amount of gold last Thursday (102 tonnes of gold), investment continues to flow into gold ETF's, interest rates are streaking back toward record low/zero levels and in a fresh development, US credit rating agency Fitch revised the US AAA rating down to negative from stable.

Not surprisingly, gold ETF's last Friday saw a 26th straight day of additions with 41,381 ounces flowing in and bringing the year to date net purchases up to 25 million ounces. While net holdings of gold by ETF's are up 30% this year, investment holdings in gold ETF's have not surpassed the August-2019 high which to us suggests that investors have plenty of buying capacity in reserve. In fact, bullishness among the gold trade is just beginning to ratchet up aggressively with Bank of America and RBC Capital Markets recently revising their gold targeting up to $3,000 in the coming 18 months!

While the gold market is likely overbought on its charts from the $200 plus July rally, the last positioning report showed a reduction in the net spec and fund long which in turn leaves the net spec and fund long 106,000 contracts below the record spec and fund long posted in February. In other words, despite all-time high prices, the gold market would appear to have additional buying fuel. The July 28th Commitments of Traders report showed Gold Managed Money traders reduced their net long position by 9,617 contracts to a net long 174,510 contracts. Non-Commercial & Non-Reportable traders are net long 320,451 contracts after net selling 17,367 contracts.

After posting the largest monthly gain (33%) on record and exhibiting a single day trading range of nearly $4.00 last week, the September silver contract is obviously overbought. However, expectations of ongoing spillover lift from gold, further weakness in the dollar, an ongoing pattern of inflows into silver ETF's and a large speculative contingent expecting silver to begin to lead the precious metals complex higher leaves the silver bull camp with plenty of ammunition. With just 7 months of 2020 completed, silver ETF's continue to build holdings which are likely to show purchases on the year in excess of 300 million ounces in the coming weeks.

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Certainly, classic technical signals are flashing overdone in silver, but the net spec and fund long positioning remains very modest at 52,000 contracts which is half of the 2020 high and 70,000 contracts below the all-time-record high posted back in April 2017. Therefore, silver appears to retain speculative buying capacity and will likely make new contract highs directly ahead. The Commitments of Traders report for the week ending July 28th showed Silver Managed Money traders were net long 32,162 contracts after decreasing their long position by 15,485 contracts. Non-Commercial & Non-Reportable traders net sold 10,170 contracts and are now net long 52,299 contracts.

While the PGM markets last week suffered chart damage and appeared to suffer a decided deterioration in fundamentals from the threat of renewed lockdown, palladium has managed to build a support base above last week's low of $2,079. However, a Bank of America prediction for palladium prices in 2020 of only $2,198 should be a little discouraging to the bull camp given that prices were already above that level last week. While still not overly significant, it should be noted that palladium holdings on Friday increased for the 8th straight session! On the other hand, in our opinion, it will take very significant gains in gold and platinum this week to support palladium prices which are likely to be off balance because of the renewed demand destruction threat from the 2nd wave of virus.

Bank of America does expect $2,500 palladium prices next year. Fortunately for the bull camp, the palladium market in the last positioning report showed a minimal net long and since the report was calculated the market declined nearly $200 which could mean the net long has been virtually leveled. Palladium positioning in the Commitments of Traders for the week ending July 28th showed Managed Money traders were net long 3,703 contracts after increasing their already long position by 676 contracts. Non-Commercial & Non-Reportable traders are net long 4,120 contracts after net buying 540 contracts.

While the platinum market came under aggressive liquidation pressure last week, it did seem to find value at $900 and bounced aggressively from that level. It should be noted that platinum ETF's increased their holdings on Friday by 19,177 ounces and the increase was the 8th straight session and for the week the ETF's added 93,918 ounces. Therefore, it is possible that investors have begun to see platinum ETF's as a viable instrument. While we think the platinum market will see a tighter positive correlation with gold than palladium, it could still take substantial gains in gold and or a major risk off event to kick platinum back into the bull trend from several weeks ago.

Fortunately for the bull camp the latest spec and fund long positioning in platinum was nearly leveled and given the markets setback of $50 since the COT report was measured, it is possible that platinum is now "mostly liquidated". Platinum positioning in the Commitments of Traders for the week ending July 28th showed Managed Money traders net bought 4,874 contracts and are now net long 17,071 contracts. Non-Commercial & Non-Reportable traders net bought 2,622 contracts and are now net long 27,431 contracts.

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COPPER:

While the copper market did manage to bounce from the latest spike down failure on its charts last week, it is clear that generally positive views toward Chinese copper demand are now being more than offset by fears of a return of global headwinds from the need to return to lock down in many areas. However, Chinese July manufacturing PMI did improve and Chinese equity markets were strong, but that did not alter the negative price bias in copper to start the new trading week. While Chinese demand has been a consistent element of the bull case, a recent developing pattern of weekly builds in Shanghai copper warehouse stocks might be a sign that the trade has been overly optimistic about Chinese demand.

The copper market should see some minimal support from the revelation that copper production in Chile in the month of June declined as that begins to verify fears that some production was lost due to the virus. On the other hand, Chile's top copper producer indicated that their output in the first 6 months of the year still increased by 4.7% thereby rendering the nationwide production drop as less significant. While we suspect that the latest positioning report overstates the magnitude of the net spec long (given that prices since that report declined the market continues to be moderately long and vulnerable to stop loss selling. The July 28th Commitments of Traders report showed Copper Managed Money traders net bought 5,177 contracts and are now net long 59,651 contracts. Non-Commercial & Non-Reportable traders added 5,137 contracts to their already long position and are now net long 46,874.

ENERGY COMPLEX:

While the charts have clearly turned down in the crude oil market from the mid-July high, the market should draft some fleeting support from a favorable sweep of global PMI data. However, very bearish big picture fundamental headlines are facing the market this week with Russia and Saudi Arabia indicating they are poised to raise production following the decision to bring back some supply. An additional weight hanging on the back of the crude oil market was seen from word that crude oil in floating storage around the world sits at 219% above year ago levels! In the week ahead, we are likely to see more confirmation of OPEC plus production increases which are made even more bearish by the fact that OPEC July output jumped by more than 1 million barrels last month. On the other hand, the bull camp is partially saved by the fact that US oil output reductions in July were the largest on record with a 2 million barrel per day cut.

Last week's Baker Hughes oil rig count declined by one and that ties the lowest level for the most recent decline and is only one rig above the 2009 low of 179. In a minor offset, Canadian oil rigs operating last week increased by 1 to stand at 11 (an 18-week high). The latest positioning report probably overstates the magnitude of the net spec and fund long in crude oil, as prices from the report into last week's low fell by $2.25. Nonetheless, the spec and fund positioning in crude oil remains burdensome with the net long at some of the highest levels in the past 3 years. Crude Oil positioning in the Commitments of Traders for the week ending July 28th showed Managed Money traders net sold 15,817 contracts and are now net long 346,683 contracts. Non-Commercial & Non-Reportable traders net sold 12,931 contracts and are now net long 577,394 contracts.

Like the crude oil market, the product markets are in a breakdown on their charts. Given the unrelenting rise in "global infections", demand fears continue to expand and the market is presented with record August Asian clean fuel exports to the Americas. Furthermore, the charts remain negative and the latest refinery threat from Gulf of Mexico weather has dissipated. In another negative, the EIA last week indicated that US may gasoline demand was down 23.5% versus year ago levels after a decline of 37.4% in April. Therefore, US demand losses continue to be very severe and gasoline stocks have maintained significantly above year ago levels since the middle of March.

Going forward, we suspect that macroeconomic selling will be seen in gasoline and other physical commodities as it becomes more apparent that driving activity isn't likely to jump into what was expected to be the start of the US school year. While the net spec and fund long positioning in gasoline is modest relative to the 2020 high, some stop loss selling is possible especially if $1.1470 fails to hold in the September contract early this week. Gas (RBOB) positioning in the Commitments of Traders for the week ending July 28th showed Managed Money traders were net long 36,512 contracts after decreasing their long position by 2,148 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 1,034 contracts to a net long 56,549 contracts.

While the ULSD market managed to jump back from last week's major spike down washout and it is seeing its weekly implied demand readings near year-ago levels, we see the fundamental and technical path of least resistance pointing down. Fortunately for the bull camp, the Managed Money traders in ULSD were "net short" and a slide below $1.20 this week could bring the market to a slightly oversold speculative position. Heating Oil positioning in the Commitments of Traders for the week ending July 28th showed Managed Money traders reduced their net short position by 2,555 contracts to a net short 3,666 contracts. Non-Commercial & Non-Reportable traders net bought 2,350 contracts and are now net long 18,000 contracts. At least to start, we see fairly decent support at $1.20 and it could take a rally back above $1.2705 to signal a shift away from the bear tilt.

Given the key reversal last week in natural gas prices following a substantial 7 day low to high rally of nearly $0.30, the market appeared to be vulnerable to downside work this week. In fact with the tropical storm running up the East Coast of the US, the threat against US supply has dissipated completely and that should have undermined the bull camp. However natural gas prices are showing surprising strength in the early going today and managing that action in the face of news that global LNG exports declined for 3rd straight month in July. Perhaps a slight shift to a warmer outlook in the US in the latest forecast (out to August 16th) has provided support as that could ultimately result in moderate US cooling demand extending the expansion seen in July. However, net US cooling demand does not look to reach above normal levels for the full season and that should keep overall sentiment in the Gas market limited.

The latest Baker Hughes gas rig operating count jumped by one in the US and remains near recent lows, with Canadian gas rigs operating also increasing by one and reaching and 18-week high. With the latest positioning report in natural gas flipping the speculative position into a net long (albeit a very small one), it is likely that speculative stop loss selling is driving the gains early this week. Natural Gas positioning in the Commitments of Traders for the week ending July 28th showed Managed Money traders net bought 18,365 contracts and are now net long 42,543 contracts. Non-Commercial & Non-Reportable traders were net long 3,787 contracts after increasing their already long position by 1,100 contracts. In the end the path of least resistance is still pointing down but a temporary flare up to last week's high of $1.937 is possible from technical short covering and a slightly more supportive near term forecast.

BEANS:

The soybean market looks set for a short term downtrend into the August 12th USDA Crop Production and Supply/Demand reports. Demand news is somewhat impressive, and that helped the market bounce into the end of the month. However, this is the time of the year when the weather outlook generally trumps all other news. The Midwest looks dry over the next five days, but the 6 to 10 day and 8 to 14 day forecast models show above normal precipitation. As long as the rain emerges after the dry spell, the market is likely in a good position to see soybean crop conditions remain favorable in this key growing period of early August. Weekend rains in the forecast and rains for early next week will be important to materialize. Late last week, the surge higher in palm oil futures plus active demand for soybeans from China plus positive news on US biodiesel usage helped to support.

Soybean oil represented 70% of the feedstock used in May with total usage at 778 million pounds, up from 672 million in April. Palm oil futures extended gains on signs of recovering demand as data showed Malaysia, the world's second-biggest producer, boosted exports last month to the highest level in at least 15 years. Shipments of palm oil climbed 5.8% to 1.72 million tons from a month earlier. In July, palm oil gained about 17%, the biggest monthly rally since September 2015. The jump in crop conditions has been impressive and traders will monitor this afternoon's weekly update closely. As of July 26, 72% of the US crop was rated good to excellent versus a 10 year average of 61%. Illinois conditions are surging. Keep in mind that if the average yield comes in at 51 bushels/acre, ending stocks could jump to 525 million bushels. Many traders are now adjusting yield up near the 51-52 level after last week's crop conditions update. If the average yield comes in at 52 bushels per acre, ending stocks could jump to 608 million bushels. The longer-term fundamentals may also turn more bearish with indications that producers in Argentina may shift away from corn and plant more soybeans for the 2020/21 season. Brazil is expecting a record crop for 2020/21.

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On Friday, exporters announced a sale of 222,000 tonnes of US meal sold to the Philippines. The July 28th Commitments of Traders report showed Soybeans managed money traders reduced their net long position by 13,648 contracts to a net long of 62,161 contracts (Long liquidation). CIT traders were net long 175,676 contracts after increasing their already long position by 5,162 contracts. For Soyoil, managed money traders added 652 contracts to their already long position and are now net long 37,549. Non-Commercial & Non-Reportable traders net sold 3,358 contracts and are now net long 54,109 contracts. For meal, managed money traders were net short 19,464 contracts after decreasing their short position by 9,714 contracts. Non-Commercial & Non-Reportable traders are net long 19,994 contracts after net buying 5,905 contracts.

CORN:

The bulls are disappointed with the price action last week given the largest sale of US corn to China on record. Even with the strong demand, corn managed to trade down to the lowest level since June 29th to end the month. Exporters announced a sale of 114,300 tonnes of US corn to Mexico on Friday. The weather forecast looks bearish and the trade focus in August will likely shift to the USDA crop production and supply/demand report. On Thursday, US exporters announced a sale of 1.937 million tonnes of corn sold to China, China's largest single-day purchase on record. In addition, 130,000 tonnes of US corn was sold to an unknown destination. Considering how large the sale was, the market's response was pretty weak. This is probably because weather tends to be driving force of the market at this time of year. News of above normal precipitation for the 6-10 and 8-14 day forecast models may be enough for producers to assume a higher than trend yield this year.

If the yield is increased by 3% from trend, ending stocks come in at 3.093 billion bushels. If China were to buy an additional 10 million tonnes from the US, ending stocks would still be 2.7 billion bushels from 2.248 billion this year. The July 28th Commitments of Traders report showed corn managed money traders are net short 143,280 contracts after net selling 5,510 contracts for the week. Non-Commercial & Non-Reportable traders are net short 109,798 contracts after net buying 858 contracts. China sold 4.014 million tonnes from their state reserves at the weekly auction, which was 100% of what was offered. This was the seventh weekly auction in a row in which 100% was sold. Corn prices remain strong in China despite the government introducing stricter terms for participation in the government corn auction. Flooding along the Yangtze River and in northeastern China, many areas are suffering from a lack of rain.

WHEAT:

Talk of extremely high yields in Russia helped to spark selling early this week. IKAR raised their Russian wheat production estimate to 79.5 million tonnes from 78.0 million previous. The wheat market remains in a consolidation pattern since July 10 as the market is absorbing a slightly smaller outlook for the amount of exportable surplus available from Europe. The market has found support recently from news of Brazil buying some wheat from the US. However, traders believe that the Brazil wheat crop could exceed 7 million tonnes this year as compared with 5.15 million tons in 2019. There is some concern that Ukraine's share of milling wheat for the new crop season may be well below previous years. Ukraine is the world's fourth largest wheat exporter with expectations for the crop near 24.5 million tonnes this year compared with 28.3 million in 2019. This may be offset by a larger crop out of Russia. September wheat experienced two-sided trade on the session Friday but managed a bounce to the highest level since July 27. There was not much follow through buying on the rally above Thursday's high.

The US dollar index traded sharply lower early Friday, but managed to close higher on the session, and the reversal might be seen as a negative development with the market up sharply this morning. European wheat trade was quiet and December milling wheat futures ending the month of July near the same price as the end of June. September Minneapolis wheat traded to a new high for the week and managed to close higher on the day. Wheat positioning in the Commitments of Traders for the week ending July 28th showed managed money traders net bought 1,225 contracts for the week and are now net long 1,699 contracts. CIT traders reduced their net long position by 2,255 contracts to a net long 124,056 contracts. For KC Wheat, managed money traders are net short 19,026 contracts after net selling 867 contracts for the week. Non-Commercial & Non-Reportable traders net sold 203 contracts and are now net short 17,889 contracts.

HOGS:

Pork production for the week was up 10.6% from last year and it may be difficult for the market to absorb all of the pork without a further break in the pork cut-out value. The USDA pork cutout released after the close Friday came in at $64.67, down $2.50 from $67.17 on Thursday and down from $69.97 the previous week. This was the lowest the cutout had been since July 7th. The CME lean index as of July 29 was 53.56, up from 52.95 the previous session and up from 49.69 a week before. This leaves October hogs trading near a $4.00 discount to the cash market as compared with a normal discount of near $16.24 at this time of the year. October hogs managed a strong recovery from the lows Friday as the early selloff to the lowest level since July 2nd failed to attract increased selling pressure. Talk of the oversold condition of the market and ideas that the short-term cash trend has been higher in spite of high production helped to support.

In addition, China has been an active buyer of US pork and that has added to the positive tone. So far in 2020, China has bought 547,297 tonnes of US pork. Last year at this time they had bought 253,336 tonnes, and the five-year average is 110,188 tonnes. The USDA estimated hog slaughter came in at 474,000 head Friday and 182,000 head for Saturday. This brought the total for last week to 2.543 million head, down from 2.583 million the previous week but up 8.4% from a year ago. Friday's Commitments of Traders report showed managed money traders were net buyers of 209 contracts of lean hogs for the week ending July 28, increasing their net long to

10,721. Non-commercial & non-reportable traders were net sellers of 107, reducing their net long to 17,174.

CATTLE:

The cattle market remains in a solid uptrend and the breakout on Friday pushed the market up to the highest level since March 6. The cash cattle market continues to trade with a slightly positive tilt, but October cattle is trading near a $10 premium to the cash market as compared with the five-year average basis showing a discount of $3.42. The slow opening of restaurants in the US could be seen as a slight negative, but slaughter levels continue to come in near year ago levels which is smaller than trade expectations. Beef prices have held up relatively well and traders are optimistic that cash cattle can rally. Beef demand can sometimes struggle in August, and beef production could begin to rise rapidly if the backed up cattle in the country begin to move on the market.

Weights remain high but until the slaughter pace picks up steam, the market seems to be in position to see a firm tone to the cash market with slaughter running near or slightly below year ago levels for the last 3 to 4 weeks. The USDA estimated cattle slaughter came in at 113,000 head Friday and 51,000 head for Saturday. This brought the total for last week to 638,000 head, down from 646,000 the previous week but up 0.8% from a year ago. Beef production for the week was up 3.9% from last year. The USDA boxed beef cutout was up $1.58 at mid-session Friday and closed $1.46 higher at $203.26. This was up from $201.77 the previous week and was the highest the cutout had been since July 30.

Cash live cattle continue their trend towards firmer pricing for the week on Friday. In Kansas 1,987 head traded at $96-$98 and an average price of $97.52, up from $97 on Thursday and $96.75 a week ago. As of Friday afternoon, the 5-area 5 day average price was 98, up from 96.94 a week ago. Friday's Commitments of Traders report showed managed money traders were net buyers of 3,949 contracts of live cattle for the week ending July 28, bringing their net long 33,622. Non-commercial, no CIT traders were net buyers 4,710, increasing their net long to 18,215.

COCOA:

The cocoa market remains in a short-term uptrend. For the week, September cocoa finished with a gain of 176 points (up 7.9%) which was a second weekly gain in a row. There have been more indications that this season's production from Ivory Coast and from Ghana will fall short of last season's results, and that provided underlying support to the market. Recent West African rainfall has been mild which should help with the flow of cocoa beans to port facilities, but additional and heavier rain may still be need to benefit the region's upcoming 2020/21 main crop production.

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Early trade forecasts are calling for the 3 major grindings regions (Europe, Asia and North America) to have negative year-over-year results for the third quarter. Although there is a general consensus that this year's holiday will be negatively impacted by the coronavirus and social distancing measures, reports that there have been stronger than expected early Halloween chocolate orders helped to soothe demand concerns following the sharp year-over-year decline in second quarter grindings.

In addition, Hershey expressed optimism for their sales during the second half of 2020. Asian economies have been ahead of North America and Europe with coming out of their coronavirus restrictions, so they have a good chance of extending their current streak of quarterly grindings totals coming in above 200,000 tonnes to an eighth quarter in a row. The Commitments of Traders report for the week ending July 28th showed Cocoa Managed Money traders were net short 17,794 contracts after decreasing their short position by 10,395 contracts. The short-covering trend is a supportive short-term force.

COFFEE:

The coffee market is overbought and vulnerable to long liquidation selling after the recent surge higher left technical indicators overdone; like RSI at 82.3. The market pushed up to a new 14-week high Friday. For the week, September coffee finished with a gain of 10.55 cents (up 9.7%) which was a fifth positive weekly result over the past 6 weeks. Strong coffee sales figures from Nestle and positive guidance from Starbucks continued to fuel coffee's rally as they have soothed concerns with global demand. Coffee was one of the weakest commodities during the second quarter as it was pressured supply and demand factors. There has been a consensus that Brazil's 2020/21 "on-year" crop production will post a new record high that would offset production problems in other nations. Brazil still remains on track for a record crop, but it may not reach top-end forecasts of 67 million bags or higher. More importantly, this year's harvest has fallen behind schedule due to labor availability issues, and this has led to a relatively tight supply for this time of the year. Colombia and several Central American producers are also expected to have harvest issues over the next few months.

While restaurant and retail shop demand has been down, other coffee sales have seen increased over the past few months, with the Stumptown brand posting an 85% increase in supermarket sales and a 200% increase in internet sales. Starbucks had an upward revision to their upcoming quarterly guidance, as more of their retail shops are expected to reopen. Even with the coronavirus pandemic, ICE exchange coffee stocks (most of which are held in Antwerp and Hamburg) finished July at 1.591 million bags which was the lowest month-end total since July of 2017. US green coffee stocks rose in in April, May and June, but that followed their March month-end total that was the lowest since February 2016. Coffee positioning in the Commitments of Traders for the week ending July 28th showed Managed Money traders net bought 16,220 contracts and are now net short 6,093 contracts. Non-Commercial No CIT traders are net short 6,412 contracts after net buying 13,881 contracts.

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COTTON:

The latest weather 6-10 and 8-14 day forecasts call for a return of below normal precipitation to the Texas growing regions that extends into the Delta and eastward all the way to eastern Georgia. In addition, the heat returns to West Texas. However, some of these areas may see some rain in the next 5 days, which should bring relief to the dry areas. With that in mind, we could see further improvement in crop conditions in this afternoon's report. Looking ahead, we could start to see the cotton market react positively to occasional hurricane threats, as heavy rains could damage open bolls.

The dollar bounced off its lowest level since May 2018 on Friday, and this may have taken some of the support away from cotton as the session progressed. Export demand has been strong, and that seems to be the key factor supporting the market. Friday's Commitments of Traders report showed managed money traders were net sellers of 4,738 contracts of cotton for the week ending July 28, reducing their net long to 25,635. Non-commercial, no CIT traders were net sellers of 5,528, reducing their net long to 15,820.

SUGAR:

Sugar's upside breakout came with little carryover support from key outside markets as it benefited from recent bullish supply/demand developments. The 2020/21 season is still expected to result in a sizable global production surplus, so sugar's near-term upside may remain limited at best. After more than 7 weeks of trying, October sugar was finally able to break out of its consolidation range and reached a 4 1/2 month high. For the week, October sugar finished with a gain of 115 ticks (up 10.0%) which broke a 3 week losing streak. The Brazilian currency fell by more than 1.2% which weighed on sugar prices, and that was partially offset by an uptick in energy prices that helped to shore up Brazilian domestic ethanol demand. However, the prospect that the 2020/21 season would have lower EU production and a multi-year low in Thailand's output provided a boost to sugar prices going into month-end. Thailand is the world's second largest sugar exporter after Brazil, so a second season with their exports at a low helped sugar prices to rally.

After a strong start, India's monsoon rainfall has fallen back and nationally is now 1% behind the long-term average. While this would be within the "normal" monsoon rainfall category, the pullback in precipitation may end up having a negative impact on sugar production during the 2020/21 season. There is warm and dry weather forecast for Brazil's Center-South cane-growing region through the middle of next week which should keep harvesting and crushing delays to a minimum, and that will keep Center-South sugar production on course of a very large total during the 2020/21 season. The Commitments of Traders report for the week ending July 28th showed managed money traders added 9,454 contracts to their already long position and are

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now net long 88,983. Non-Commercial & Non-Reportable traders added 15,419 contracts to their already long position and are now net long 162,872.

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