ADM Investor Services, Inc.

WEEKLY MARKET SUMMARY

31 August, 2020

For the Week of August 31, 2020

BONDS:

Clearly the change in Fed policy severely damaged the price structure in bonds and notes last week as the flow of US scheduled data was not strong enough to justify such a washout. In fact, last Friday's US scheduled economic data was a classic example of mixed results with personal income and spending offset by a disappointing Chicago purchasing managers index. However, both bonds and notes appear to have found some measure of fundamental and psychological value on the charts which in turn coincide with credible chart support levels. Treasury prices have given back some of the bounce/gains from last Friday, perhaps off analyst predictions that the Fed will attempt to hold interest rates down which are nearing the highest levels of the post virus outbreak timeframe.

In other words, the trade sees justification for the beginning of a long-term decline in bond prices but is also wary of pressing the downside given the Fed's promised to keep rates down until full employment has been achieved. It is possible that some of the initial pressure in bonds and notes today is the result of generally positive Chinese data but also from positive early action in US equities. While the focus of the trade early this week will largely centered on the Dallas Fed manufacturing index traders will also parse Fed speeches for hints on the tone of the Federal Reserve Beige book release later this week.

From a technical perspective, the latest positioning report in bonds showed the largest net spec short since October 2018 and it should also be noted that the net spec short is probably understated given the markets slide following the report mark-off. The Commitments of Traders report for the week ending August 25th showed Bonds Non-Commercial & Non-Reportable traders net sold 15,831 contracts and are now net short 135,579 contracts. T-Notes positioning showed Non-Commercial & Non-Reportable traders net sold 92,356 contracts and are now net long 80,930 contracts.

CURRENCIES:

It would appear as if the Dollar has settled back into the downtrend started back in March at the same time that the Euro and Swiss Franc appear to have settled back into the uptrends they started back in March. In our opinion the shift in the Fed clearly sends a signal to the market that the dollar will be headed lower in the near term with currencies making gains on the dollar without macroeconomic or interest rate differential favor. The Dollar downside breakout early this week sets the stage for further depreciation and general embracing of the idea that the Dollar is poised for a long-term decline.

Apparently, the takeaway from the US Fed policy change is that the US central bank will hold interest rates low longer than other areas of the world but we also think that the net take away from US political/societal conflict is resulting in flight out of the dollar. The next downside target in the dollar index is derived from the weekly charts 100 points below Monday morning's early trade. The Commitments of Traders report for the week ending August 25th showed Dollar Non-Commercial & Non-Reportable traders were net short 7,722 contracts after decreasing their short position by 1,240 contracts.

While the September Euro has not forged an upside breakout early this week, we suspect that action will be seen in the coming sessions. Initial resistance and targeting to start the week is seen at 1.1973 with the Euro gaining despite European data that could have held back prices. Euro positioning in the Commitments of Traders for the week ending August 25th showed Euro Non-Commercial & Non-Reportable traders hit a new extreme long of 270,987 contracts. Non-Commercial & Non-Reportable traders were net long 270,987 contracts after increasing their already long position by 6,389 contracts.

With the Yen trading sharply lower in the wake of the large Berkshire Hathaway purchase of Japanese financial services/brokerage firms, it appears as if the ebb and flow of risk on/risk off is driving Yen price action. In other words, favorable Chinese economic data and initial gains in equities is prompting Yen longs to bank profits from last week's rally and perhaps even attack the short side for a move back down to the bottom of the consolidation which begins at 93.84. While the September Swiss Franc seemed to run into thick resistance at Friday's high of 1.1086 early this week, favorable Swiss retail sales readings for July, a downside breakout in the dollar and positive leadership from the euro, projects fresh contract highs at some point this week.

While the Pound fell back from a spike up move early this week, the path of least resistance from the charts looks to remain up and the Pound looks to continue to embrace the idea that the world economy is moving forward despite the nagging global infection situation. In the end, classic fundamentals seem to be pushed to a backburner for now and the Pound appears to be winning by default off US dollar declines.
While the Canadian has not made a new high for the move early this week, the charts remain patently supportive following upbeat GDP forecasts and benefits from the downside breakout in the dollar.

STOCKS:
While US stock markets did not sharply rally straightaway following the historical change in Fed policy, prices did extend and appear as if they have the right balance of momentum and consistency to extend the trend this week. In fact, traders should see the Fed policy change as a sign the central bank will allow for much more growth than they would typically just to achieve employment, even if that comes at the expense of inflation. Unfortunately for the bull camp, the latest from Washington indicates that work toward a $500 billion shrunk down stimulus package is at a full impasse.

ADM Investor Services, Inc.

WEEKLY MARKET SUMMARY

31 August, 2020

Global equity markets early this week were mixed with Chinese, Australian and Hong Kong down by less than 1/2% and the rest of the world posting gains just under 1%. In addition to new highs in certain US market measures early on, the trade was seeing fresh speculative lift from news that Berkshire Hathaway made a major investment of $6 billion in Japanese trading houses. Limiting the market in the early going is the announcement from American Airlines of a reduction in its October schedule and talk that China has introduced technology export laws that could destroy TikTok.

The uptrend extended into another week with favorable Chinese data fostering fresh optimism and a-number-of brokerage firms touting "cheap stocks". With the latest positioning report showing the S&P to be holding a large net spec and fund short, it would not appear as if the market is anywhere near overbought despite persistent new record highs. The Commitments of Traders report for the week ending August 25th showed E-Mini S&P Non-Commercial & Non-Reportable traders were net short 201,247 contracts after increasing their already short position by 19,681 contracts.

While the Dow has not forged a new all-time-high, the index forged a higher high early this week and appears to be poised to fill a gap left by the February 21st and February 24th washout up at 28,899. Limiting the index is news that American Airlines continues to suffer at the hands of the virus lockdowns and has announced significant schedule reductions for August. However, from a technical perspective the Dow futures are in no way near exhausting buying fuel with the latest positioning report showing a net spec short. The August 25th Commitments of Traders report showed Dow Jones $5 Non-Commercial & Non-Reportable traders are net short 5,780 contracts after net selling 5,088 contracts.

The September NASDAQ forged another new all-time high early this week and has managed the gains despite negative news regarding TikTok. However, the market received fresh speculative lift from Tesla developments over the weekend and talk that stock splits at Tesla and Apple have broadened out buying interest in the two key bellwether stocks. As opposed to other stock index futures markets, the NASDAQ is net spec and fund long and therefore could become bought out quicker than other sectors of the market. The August 25th Commitments of Traders report showed Nasdaq Mini Non-Commercial & Non-Reportable traders are net long 27,506 contracts after net selling 675 contracts.

GOLD, SILVER & PLATINUM:

While the gold market started out under pressure this week, the dollar index has forged a fresh downside breakout and should provide some support to metals prices. However, gold diverged negatively with the rest of the precious metals markets early on and it appears as if gold came under noted pressure following the release of positive Chinese PMI data Sunday night. Therefore, it would appear as if the gold market has not made the transition where prices benefit from favorable economic news. In fact, December gold in the 20 minutes after the

ADM
ADM Investor Services, Inc.

WEEKLY MARKET SUMMARY

31 August, 2020

Chinese data was released had a high to low slide of $8 per ounce. While it will take a number of days of consistent inflows to gold ETF holdings to revive investment hopes again gold ETF holdings on Friday did increased by 43,946 ounces for the 3rd straight day of gains. While physical production has not been a major driving force for gold prices of late, reports that gold production in Australia is running at a record pace following very strong production in the quarter ending June highlights the impact of high prices. Australia is the world's 2nd largest gold producer with output for the 2019-2020 production year reaching 328 tonnes. Nonetheless, gold is likely to retain "support" on the charts from the Federal Reserve shift last week with several large financial entities releasing bullish gold price forecasts in the wake of the Fed symposium last week.

While gold prices in India were higher at the start of this week, Chinese prices were mixed and the US market has started off lower contrary to strength in nearly all other physical commodities! However, the Indian market gains were reportedly the result of increased spot demand and that news follows upbeat gold price forecasts from both UBS and PIMCO. In conclusion, we give the edge to the bull camp in gold but also acknowledge initial resistance just above the overnight high at $1987 and the inability to take out that level following the Dallas Fed manufacturing index could result in gold falling back within this week's anticipated trading range of $1,987 and $1,920. Gold positioning in the Commitments of Traders for the week ending August 25th showed Managed Money traders reduced their net long position by 16,935 contracts to a net long 138,339 contracts. Non-Commercial & Non-Reportable traders net sold 12,524 contracts and are now net long 298,348 contracts.

With silver divergence positively with gold in the early going this week, forging a 9-day upside breakout on the charts and seemingly correlating positive with "physical commodities", the bull camp clearly starts the week with the edge. In other words, silver appears to be tracking physical commodity market conditions and given the positive Fed policy move last week and a fresh new low for the dollar, silver is likely to test and take out the mid-August high up at $28.77. In a positive from late last week, silver ETF's added 5.07 million ounces to their holdings but saw a choppy week of flows last week that resulted in a net inflow of only 4.97 million ounces. The most recent spec and fund long positioning in silver is in the lower quarter of the last 18 months range suggesting the sideways consolidation action has balanced technical signals and that could set the stage for more gains this week. Silver positioning in the Commitments of Traders for the week ending August 25th showed Managed Money traders are net long 37,578 contracts after net buying 5,963 contracts. Non-Commercial & Non-Reportable traders are net long 53,768 contracts after net buying 3,046 contracts.

While the palladium market did not break out to the upside at the start of this week, it sits right on 9-day highs and appears to be drafting lift from strength in physical commodities and from favorable Chinese economic data. However, the palladium market since the February reversal has not shown much in the way of lift from the steadily improving Chinese economy, and therefore we suspect gains will be hard-fought and difficult to sustain. Not surprisingly, palladium ETF holdings last week barely moved with the year to date change in holdings showing a decline of 18%. Fortunately for the bull camp, the most recent net spec and fund long in palladium is very small and therefore stop loss selling from chart failures might be very modest in scope. The Commitments of Traders report for the week ending August 25th showed Palladium Managed Money traders are net long 3,159 contracts after net selling 137 contracts. Non-Commercial & Non-Reportable traders were net long 3,448 contracts after decreasing their long position by 67 contracts.

While the platinum market traded higher early this week, it is not showing as much positive correlation with other commodities as palladium and silver despite the fact that UBS predicts platinum will narrow its significant discount to gold ahead and trade above $1,000 by the middle of next year. While not overly significant yet platinum ETF's last week saw their holdings increase by 52,556 ounces which puts the year to date growth in holdings at 8.5%. Unfortunately for the bull camp, the net spec and fund long in platinum is moderate and therefore failures at key chart support levels could spark outsized stop loss selling waves. We see critical support to start this week at $924.50 but the bull camp will need a trade above $960 today to throw off a 3-week downtrend liquidation pattern. The Commitments of Traders report for the week ending August 25th showed Platinum Managed Money traders net sold 2,642 contracts and are now net long 12,088 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 1,797 contracts to a net long 26,372 contracts.

COPPER:

As would be expected favorable Chinese PMI data sparked an upside breakout in copper even though the official manufacturing PMI reading down ticked from the prior month. However, the trade apparently sees the non-manufacturing PMI improvement as a sign that the economic recovery is broadening. Adding into the upward tilt are reports from a Chinese copper processing company suggesting copper ore will remain tight ahead but copper futures should also benefit from continuing strong iron ore imports. In fact, the metals trade in Asia has labeled the recovery in China a "V" recovery and therefore fresh two year highs early today are not surprising.

In fact, we suspect that China will offer additional scrap copper import quotas this week and traders should consider purchasing copper on $0.04-$0.05 breaks. It should be noted that the net spec and fund long position in copper is rather large already and is probably understated given the rally at the end of last week. Copper positioning in the Commitments of Traders for the week ending August 25th showed Managed Money traders are net long 62,753 contracts after net buying 1,779 contracts. Non-Commercial & Non-Reportable traders are net long 52,795 contracts after net buying 6,106 contracts.

ENERGY COMPLEX:

ADM Investor Services, Inc.

WEEKLY MARKET SUMMARY

31 August, 2020

Despite a negative price reaction to last week's hurricane, crude oil prices early this week are showing positive action with a portion of that optimism the result of news that Sinopec expects Chinese first half fuel demand to gain over year ago levels despite the protracted virus lockdown. Crude oil was lifted by favorable equity market action, new lows in the US dollar and a bullish long-term oil market forecast from Goldman Sachs. Certainly, US Gulf of Mexico oil output is recovering but remains below pre-hurricane levels into the beginning of this week. We suspect that the bull camp is seeing minimal lift from news that US oil rigs operating last week declined by 3, with the total oil and gas rig count at the middle of this month reaching a new all-time low!

Furthermore, Goldman Sachs has predicted the rebalancing of the world oil market will be faster than expected next year because of "discipline" by OPEC plus but also because of the likelihood of a successful vaccine. In other fresh positives developments, Saudi Arabia indicates it will cut prices to help facilitate global growth and the world is also cheered by favorable Chinese nonmanufacturing PMI results. While there appears to be another tropical disturbance developing, the trade might not embrace that threat given the lack of significant damage from Hurricane Laura.

Certainly inventory levels restricted the market reaction as US crude oil stocks last week were holding an 80 million barrel surplus to year ago levels. However, it should be noted that US oil inventories have declined by 28 million barrels over the last 5 weeks and have accomplished that with nearly 20% of US refinery capacity idled. In the end, it should be noted that trading volume over the last three weeks has picked up with October crude oil rising above $42.00 which suggests the trading isn't overly concerned about overvaluation or even oversupply.

The weekly Baker Hughes Rig count showed a decline of 3 oil rigs last week. Crude oil bulls will need a fresh downside breakout in the dollar (which should increase US export demand) and favorable data from both China and the US to take out last week's high of $43.78. The August 25th Commitments of Traders report showed Crude Oil Managed Money traders reduced their net long position by 7,503 contracts to a net long 326,896 contracts. Non-Commercial & Non-Reportable traders were net long 560,991 contracts after decreasing their long position by 9,184 contracts.

While the product markets are likely seeing some lift from favorable Chinese economic data, the big bullish headline development was a prediction by Sinopec that first half Chinese fuel demand is likely to post a year-over-year expansion! Certainly the gasoline market might have gotten ahead of itself on last week's hurricane rally, but there would also appear to be some solid value in gasoline at the $1.20 level. From a big picture perspective, it is impressive that US gasoline stocks have cut their annual surplus by more than half over the last 5 weeks despite weekly implied gasoline demand holding well below year ago levels.

ADM Investor Services, Inc.

WEEKLY MARKET SUMMARY

31 August, 2020

Obviously, seeing nearly 20% of US refinery capacity held offline due to demand/profitability issues has served to keep gasoline inventories in check. However, we do suspect some supply disruption impact from Hurricane Laura and we also think return to school will also provide a bump in demand ahead. Certainly, US infection counts continue to be troublesome, but miles driven appears to be slowly gaining some momentum and therefore we still see the potential for October gasoline to fill the early March gap which starts at $1.2235. The August 25th Commitments of Traders report showed Gas (RBOB) Managed Money traders were net long 63,267 contracts after increasing their already long position by 9,449 contracts. Non-Commercial & Non-Reportable traders added 4,483 contracts to their already long position and are now net long 76,222.

The ULSD charts are slightly improved, but classic fundamentals remain bearish. In fact, distillate stocks and diesel stocks are both 43 million barrels above year ago storage levels and have seen those storage levels build despite the significant cutback of US refinery activity. However, given 3 months of consolidation at an above $1.20 and given a minimal net spec and fund long positioning, we expect October ULSD to respect key support at $1.1903. The August 25th Commitments of Traders report showed Heating Oil Managed Money traders are net long 1,619 contracts after net selling 3,121 contracts. Non-Commercial & Non-Reportable traders were net long 25,709 contracts after increasing their already long position by 540 contracts.

While the hurricane did not create lasting damage, Gulf of Mexico oil gas was pulled during the storm event and therefore some of last week's rally was partially justified. However, we suspect downtime will be limited and production will be quickly revived along with transportation activity. On the other hand, there is another tropical disturbance that is forming off the northeast coast of South America and that could become an issue later this week. The near-term US weather forecast shows a very large area of below normal temperatures throughout the middle of the country, with much above normal temperatures isolated in the Northwest and that in turn should be viewed as a bearish force to start the trading week.

In another potentially important negative development, Sinopec indicated it will ramp up gas drilling after missing its 1st half production targeting. The weekly Baker Hughes rig operating count showed an increase of 3 rigs in the US. Natural Gas positioning in the Commitments of Traders for the week ending August 25th showed Managed Money traders are net long 132,269 contracts after net buying 9,876 contracts. Non-Commercial & Non-Reportable traders are net long 41,791 contracts after net buying 4,754 contracts. We continue to think that the natural gas market is overvalued at pricing above $2.60. We would also note that the net spec and fund positioning in natural gas has now reached the largest net long since December 2018. On the other hand, the bull camp probably maintains some control over the short-term trend.

BEANS:

ADM Investor Services, Inc.

WEEKLY MARKET SUMMARY

31 August, 2020

Drier than expected weather in Iowa is helping to spark more aggressive fund buying as traders believe the poor weather during critical development has hurt soybean yields, especially in Iowa and Illinois. The five day forecast shows very little rain for Iowa and Illinois and traders are growing concerned that plants will just shut down early. Crops in these areas have received very little rain in the last 14 days. On top of yield concerns for the US crop, news that the Brazil government eliminated the import tax of 8% for soybeans and other Agricultural products would suggest that Brazil may even need to import soybeans from the US. It is still dry in central Brazil and current forecasts point to more below normal rainfall into September. This could delay the start of soybean plantings which normally pick up into the third week of September. Much below normal temperatures are expected into mid-September for Iowa and Minnesota and this may also develop into a potential issue.

For the January-July timeframe, Argentina oilseed crushings are down 2.3 million tonnes from a year ago to only 24.6 million tonnes. Monsoon rains in India have been above average and now there is a forecast for key groundnut and soybean producing areas to receive too much rain which may lower crop expectations. For the Statistics Canada stocks report this week, traders see canola stocks at 2.3 million tonnes as of July 31st, which is down from 3.831 million tonnes last year. November soybeans closed 8 1/2 cents higher on the session Friday and this left the market up 45 3/4 cents higher for the week. December oil closed lower after a rally to the highest level since January 23rd. December meal closed sharply higher, as the buying pushed the market up to the highest level since March 31.

The August 25th Commitments of Traders report showed soybeans managed money traders net bought 2,230 contracts for the week and are now net long 109,288 contracts. Non-Commercial & Non-Reportable traders are net long 139,365 contracts after net buying 15,345 contracts for the week. For soyoil, managed money traders are net long 67,690 contracts after net buying 10,166 contracts for the week. Non-Commercial & Non-Reportable traders are net long 91,100 contracts after net buying 13,366 contracts. For soymeal, managed money traders are net long 3,560 contracts after net selling 7,419 contracts for the week. Non-Commercial No CIT traders net sold 4,682 contracts which moved them from a net long to a net short position of 1,216 contracts.

CORN:

Reports of less rain than traders have expected has helped to provide underlying support, and traders are likely expecting a further decline in crop conditions for Monday afternoon's weekly update. The state agriculture secretary of Iowa indicated that the state is facing its most widespread drought since September 2013. The US drought monitor indicates 96% of Iowa was abnormally dry as of Tuesday, up from 88% a week earlier. About 61% of the state is in a moderate to exceptional drought, up from 45% a week ago. Keep in mind that 9-10 million acres of Iowa corn were impacted by the windstorm and with the very fast dry-down in August, there is talk of big loss in yield, and even some talk that some of the fields are being declared a total loss and there have been reports of farmers out destroying the crop.

In the past 30 days, about one third of Iowa and about one quarter of Illinois has seen less than 25% of normal precipitation. There has been very little rain in the past 14 days except for the far northern parts of the state, and almost no rain in the last seven days. The five day forecast calls for 1/10th to 1/4 of an inch of rain. The crop in the state which was knocked down likely stopped the development, and the crop did not have a chance to fill. Now the extended period of dry weather is causing crops to shut down early and this will cause lower yield. The 6-10 and 8-14 day forecast models show below normal temperatures, and for September 7th-13th, much below normal temperatures are expected for Minnesota and Iowa.

December corn closed higher on the session Friday and the buying pushed the market up to the highest level since July 9. For the week, December corn closed 18 3/4 cents higher. Exporters reported the sale of 342,032 tonnes of US corn sold to unknown destination which traders believe could be China. The Commitments of Traders report for the week ending August 25th showed managed money traders reduced their net short position by 49,010 contracts in just one week to a net short 61,489 contracts. Non-Commercial & Non-Reportable traders reduced their net short position by 56,839 contracts for the week to a net short 8,673 contracts.

WHEAT:
December wheat closed lower on the session Friday but the market is up to the highest level since April 23rd at the start of this week. The market managed to rally 13 3/4 cents for the week last week. December Kansas City wheat closed 15 1/2 cents higher on the week. While the US dollar was sharply lower on the day, traders see Black Sea region wheat as cheaper than US wheat, and world wheat supply remains plentiful. Egyptian officials indicate they have strategic reserves of wheat to last six months. For the Statistics Canada stocks report as of July 31, traders see all wheat stocks at 5.7 million tonnes (5.0-6.6 million range), as compared with 6.04 million tonnes last year.

The European Commission cut its forecast for all cereals in the EU-27 countries. Usable common wheat production is now expected at 113.5 million tonnes, down from 116.6 million estimated one month ago. The Commitments of Traders report for the week ending August 25th showed managed money traders went from a net short to a net long position of 1,517 contracts after net buying 13,991 contracts for the week. Non-Commercial & Non-Reportable traders were net short 3,985 contracts after decreasing their short position by 10,670 contracts. For KC wheat, managed money traders were net short 21,116 contracts after decreasing their short position by 5,889 contracts for the week. Non-Commercial & Non-Reportable traders reduced their net short position by 10,559 contracts to a net short 11,142 contracts.

ADM Investor Services, Inc.

WEEKLY MARKET SUMMARY

31 August, 2020

HOGS:
The technical action turned bearish on Friday as October hogs gapped lower on the opening in the market closed sharply lower on the day. While pork values have been choppy, traders are nervous that pork cut-out values will come under selling pressure into September as slaughter levels pick-up steam. The USDA pork cutout released after the close Friday came in at $70.64, down $1.71 from Thursday and down from $72.96 the previous week. This was the lowest the cutout had been since August 11. The USDA estimated hog slaughter came in at 481,000 head yesterday. This brings the total for the week so far to 2.388 million head, down from 2.391 million last week at this time but up 7.9% from last year.

Pork production for the week reached 561.4 million pounds, up 9.5% from last year. The CME lean index as of Aug 26 was 57.12, up from 56.86 the previous session and 55.41 a week before. The Commitments of Traders report showed managed money traders were net buyers of 7,275 contracts of lean hogs for the week ending August 25, increasing their net long to 27,202. This is their largest net long since September 3, 2019, but these traders can hardly be described as overinvested because they were net long come 62,000 contracts in April 2019. Non-commercial & non-reportable traders were net buyers of 7,000 contracts, increasing their net long to 29,296.

CATTLE:
Increasing cattle supply is expected ahead as a combination of very heavy weights and an abundant supply of market ready cattle on feedlots could cause a surge in production in September. Hot and dry conditions in the West and a sharp drop in pasture and range conditions could also help boost non-fed cattle slaughter. October cattle closed sharply lower on the session Friday and the selling pushed the market down to the lowest level since July 28. The USDA boxed beef cutout was up 34 cents at mid-session Friday and closed $2.14 lower at $229.40. This is the first time the cutout has gone down since August 5. The USDA estimated cattle slaughter came in at 116,000 head yesterday. This brings the total for the week so far to 588,000 head, up from 586,000 last week at this time but unchanged from a year ago. Cattle slaughter for the week reached 654,000 head, up from 653,000 a year ago.

Beef production last week reached 544.6 million pounds, up 2.3% from last year as weights remain high. The cash live cattle trade was quiet on Friday, with a few head trading near the lower end of last week's range. In Kansas 463 were reported at 104, and in Texas/Oklahoma 420 head were reported at that price. The 5-day, 5-area weekly average price as of Friday afternoon was 105.08, down from 106.36 the previous week. Friday's Commitments of Traders showed managed money traders were net buyers of 4,335 contracts of live cattle for the week ending August 25, increasing their net long to 62,102. This is the largest net long these traders have held since January 28, but it is quite a bit below the peak of 90,253 from January 21, not to mention the historical high of 154,550 from April 2019. Non-commercial & non-reportable traders were net buyers of 2,676, increasing their net long to 66,205.

ADM Investor Services, Inc.

WEEKLY MARKET SUMMARY

31 August, 2020

COCOA:

Cocoa's 2-day updraft to finish last week's trading has lifted prices well above the early August consolidation and far above their 3 major moving averages. While the market is near-term overbought, cocoa has found support from both the supply and demand sides of the market that should help it to remain well supported on any near-term pullbacks. December cocoa pushed up to the highest level since February 28th. The market rallied in four of the five trading sessions last week to close up 114 points or 8.9% for the week. The sharp break in the Dollar resulted in a 1-week high in the Eurocurrency, which benefited cocoa prices as its recent strength will make it easier for European grinders to acquire near-term supplies. Keep in mind that the Euro zone accounts for over 30% of global cocoa processing, and does so without a domestic source of cocoa beans.

Dry weather concerns in West Africa remain a positive force, particularly in Ghana and Nigeria as Nigerian July cocoa exports were 10% lower than last year's total. The decision by current Ivory Coast President Ouattara to run for a third consecutive term in October's Presidential election has led to simmering political tensions that have led to an uptick in near-term supply anxiety. The August 25th Commitments of Traders report showed managed money traders are net long 22,928 contracts after net buying 1,861 contracts. Non-Commercial No CIT traders are net long 7,616 contracts after net buying 1,638 contracts. Non-Commercial & Non-Reportable traders were net long 39,236 contracts after increasing their already long position by 3,504 contracts.

COFFEE:

With the Brazilian harvest nearly completed and their crop priced-into the market, coffee should benefit from Central American supply issues and improving global demand prospects. December coffee closed sharply higher for Friday's trading session as the buying pushed the market up to the highest close since March 25th. The market ended 655 points higher for the week which was a second positive weekly result in a row. The Brazilian currency gained more than 3% in value and reached a new 2-week high, and that provided significant carryover support to coffee prices as a stronger currency eases pressure on Brazil's farmers to market their near-term supply to foreign customers. Near-term supply in Vietnam has become fairly tight with more than 2 months to go before their harvest begins, and that has provided additional support to the market as early forecasts are calling for them to have lower production during the 2020/21 season.

ICE exchange coffee stocks fell by 15,243 bags on Friday and with one session left to go are more than 318,000 bags (down 20.0%) below their July month-end total. This would be a sixteenth monthly decline over the past 17 months as well as the largest monthly decline since December 2004, and puts ICE exchange coffee stocks at their lowest level since January 2017. The August

ADM Investor Services, Inc.

WEEKLY MARKET SUMMARY

31 August, 2020

25th Commitments of Traders report showed managed money traders were net long 35,031 contracts after increasing their already long position by 7,249 contracts. Non-Commercial No CIT traders net bought 5,692 contracts and are now net long 22,218 contracts. Non-Commercial & Non-Reportable traders net bought 5,993 contracts and are now net long 47,041 contracts.

COTTON:

The drift lower for December cotton since the hurricanes hit could be a sign that the hurricane damage has already been priced-in. The market found some selling pressure in reaction to Hurricane Laura largely missing cotton growing areas when it rolled through last week. The market was well supported last week by anticipation of the storms, but also by optimism regarding US export prospects after China and the US reported a successful meeting regarding the Phase 1 trade agreement. However, the USDA is forecasting a strong US crop for 2020/21 and large US and world ending stocks, so the market may find it difficult to build on the current uptrend. Texas's crop conditions have improved over the past couple of weeks, and the market may have seen the worst of the news for the crop. Strength in the other grains helped to support solid gains overnight.

The trade will be looking to Monday afternoon's weekly crop progress report to see if there was any officially reported damage from the hurricane. Friday's Commitments of Traders showed managed money traders were net buyers of 7,824 contracts of cotton for the week ending August 25, increasing their net long to 48,723. This is the largest net long position for this group since October 2018, which could make the market vulnerable to heavy liquidation on a change in trend. The record net long was 108,778 contracts from January 2018. Non-commercial, no CIT traders were net buyers of 10,547, increasing their net long to 41,684. Non-commercial & non-reportable traders were net buyers of 13,883, increasing their net long to 69,020. CIT traders were net buyers of 1,477 contracts, increasing their net long to 74,994.

SUGAR:

The sugar market has been unable to benefit from significant carryover support from outside markets, and that may be setting sugar up for a correction. October sugar closed 17 points lower for Friday's session after a higher opening, which left the market down 23 points for the week for a second negative weekly result in a row. Sugar "should" have received a significant boost from a more than 3% gain in the Brazilian currency that eases pressure on Center-South mills to favor sugar production over ethanol production, while energy prices were relatively stable going into the weekend. Archer Consulting said that more than 22% of next season's Brazilian sugar exports and 5% of their 2022/23 sugar exports have already been hedged due to the sharp decline in the Brazilian currency which reached a record low in May.

ADM Investor Services, Inc.

WEEKLY MARKET SUMMARY

31 August, 2020

Sugar's short-term supply looks plentiful as Brazilian demand for ethanol domestically has still not recovered, while this year's Center-South sugar production looks to be more than 48% ahead of last year's pace which put them on track to climb above 39 million tonnes.
As of Sunday, this year's India national monsoon rainfall was 10% above the long-term average. While their top-producing state of Uttar Pradesh saw below-normal rainfall this month, India remains on-track to see their 2020/21 sugar production climb back above 30 million tonnes.

The Commitments of Traders report for the week ending August 25th showed managed money traders net bought 17,230 contracts and are now net long 188,193 contracts. CIT traders reduced their net long position by 1,591 contracts to a net long 263,415 contracts. Non-Commercial No CIT traders added 9,289 contracts to their already long position and are now net long 136,546. Non-Commercial & Non-Reportable traders are net long 289,745 contracts after net buying 18,358 contracts.

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