ADM Investor Services, Inc.

WEEKLY MARKET SUMMARY

23 November, 2020

For the Week of November 23, 2020

BONDS:

Treasury prices had plenty of justification to extend their rally late last week as US equities showed signs of faltering and sentiment was obviously undermined following the conflict between the US Treasury Secretary and the Federal Reserve Chairman on Thursday afternoon. In retrospect, we also think the uptick in initial claims on Thursday gave a significant leg up to those predicting the economy is about to stall. The initial path of least resistance is pointing down in treasuries, as the markets are overbought from a 3-week low to high rally of nearly 5 points in bonds. Furthermore, it would appear as if vaccine news over the weekend produced additional hope of and end the pandemic in the foreseeable future.

Obviously the 2 primary bearish headlines driving Treasury prices down are the latest headlines touting additional vaccine/therapeutic treatment, but it is also possible that the trade is also fearing renewed efforts on a US stimulus package. In addition to the claw-back of funds from the Fed by the US Treasury (which the Treasury Secretary suggested should be used by Congress for a stimulus package) Congress should see added pressure to govern from an open letter from 125 US economists indicating the need for stimulus action now.

From a longer-term perspective, there would appear to be signs of significant supply competition next year for US debt with Germany planning $190 billion in new debt next year, the UK announcing the offering of 400 billion pound borrowing plans next week and investors moving from safe bonds into emerging market company bonds in a move signaling expectations for an end to the pandemic.

We would also note that recent US bond auctions have begun to show very poor demand and US treasuries have seen 7 straight months of declining Chinese holdings and have reached their lowest levels since early 2017! While not a direct impact on US bonds and notes, European and UK PMI readings were mostly better than expected, with the only disappointing reading coming from overall Euro zone services PMI.

From a technical perspective the bond market remains massively net spec and fund short despite the 5-point rally off the November low and that could defuse fresh selling without very definitive signs of a "possible" psychological into the pandemic. The November 17th Commitments of Traders report showed Bonds Non-Commercial & Non-Reportable traders were net short 224,155 contracts after decreasing their short position by 2,955 contracts. For T-Notes Non-Commercial & Non-Reportable traders added 76,688 contracts to their already long position and are now net long 93,402.

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CURRENCIES:

In retrospect, dollar bulls are very discouraged given the tight sideways action in the dollar last week in the face of day after day of record US infection counts. The bull camp might also be disappointed in the failure to see the dollar flight to quality gains in the face of a rise in US initial claims and in the wake of a political conflict between the US Treasury Secretary and the US Federal Reserve. Therefore, one wonders if the dollar has lost its flight to quality standing and instead is under the microscope for a possible economic setback. The Dollar technically broken out to the downside early this week with the lowest trade since the early September low.

Obviously, the latest vaccine news adds to the likelihood that the pandemic will be ended or seriously curtailed in the first quarter of 2021. We know that contradicts a number of views, but a growing list of very effective vaccines should also increase the number of doses produced. The 92.00 level would appear to be a key pivot point that could provide temporary cushion to the dollar, but we now see a decline back into the lowest levels since the outbreak began. The November 17th Commitments of Traders report showed Dollar Non-Commercial & Non-Reportable traders net sold 176 contracts and are now net short 365 contracts.

With the dollar breaking out to the downside, generally favorable PMI data from Europe and yet another favorable vaccine result the path of least resistance is pointing upward in the euro with a near term target early this week seen at 1.1929. Euro positioning in the Commitments of Traders for the week ending November 17th showed Non-Commercial & Non-Reportable traders net sold 2,198 contracts and are now net long 186,737 contracts.

The bull camp should be emboldened by the Yen's capacity to remain near the past 3 weeks highs as a risk on vibe has not knocked the Yen down. In other words, it would appear as if the Yen is joining the ranks of the "recovery currencies" and that should put the currency in uptrend status. Not surprisingly the Swiss has also broken out to the upside and forged a 3-week high in the wake of the dollar breakdown and a risk on environment to start the new week. While predicting the end of high anxiety from the pandemic has been premature on a number of occasions, it would truly appear as if the end is being moved forward consistently.

After showing significant strength over the past 2 and half months it is clear that the Pound is a "recovery currency" and the currency is likely to return to the 2020 highs in the coming sessions. Adding into the upward track is better-than-expected UK manufacturing and services PMI readings for November. The Canadian has certainly disappointed the bull camp initially, as the currency remains mired within the recent sideways consolidation in the face of a breakdown in the dollar and from strength in all the actively traded currency futures contracts. Perhaps the Canadian is being held down by fears that their medical capacity will be exhausted on the current infection flare.

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STOCKS:

We continue to use the phrase "whistling past the graveyard" to describe the action in the equity markets as unrelenting new daily record infection counts only resulted in a slight liquidation last week. However, the trade is on edge with recent suggestions to rotate from stay-at-home stocks to opening-up stocks putting some investors in a precarious position given the prospect of a return to stay at home. However, it is possible that the markets could draft some support from the Treasury Secretary action to pull back unused stimulus funds from the Fed with the intention to prod Congress to appropriate the unused money in some form of stimulus.

Global equities were all higher early this week with a number of markets gaining in excess of 1.0%. Economic news of importance included a significant jump in New Zealand retail sales of 28% in the 3rd quarter, sharp gains in Australian bank services PMI and manufacturing PMI readings for November and generally better-than-expected European and UK manufacturing PMI readings for November. However, France saw its manufacturing PMI for November contract while services PMI readings in Germany and the overall Euro zone came in disappointing. The markets are clearly deriving fresh optimism from additional favorable vaccine and treatment news from over the weekend.

While the S&P has not broken out above the prior 2 session's highs, big picture fundamental news favors the bull camp to start the new trading week. In fact, some media outlets are taking notice of the string of positive vaccine reports on Mondays and have now labeled the action as "vaccine Mondays". In addition to the vaccines, the equity markets have also seen positive therapeutic news, increased potential for some form of US stimulus and have seen some positive economic news from the other side of the Atlantic.

Certainly, the S&P will benefit from projections of a $10 billion increase in online holiday sales, but that news also suggests brick-and-mortar and physical retail sales will be blunted significantly. We see important support at a quasi-double low of 3542.75 and give the edge to the bull camp today with the net spec and fund long remaining very low. The November 17th Commitments of Traders report showed E-Mini S&P Non-Commercial & Non-Reportable traders were net long 13,558 contracts after decreasing their long position by 16,972 contracts.

The Dow could lag the rest of the market because vaccine hopes are offset by surging infections which should mean home/Internet sales are likely get the majority of Holiday sales. Certainly, big Stocks are likely to benefit from treatment and stimulus potentials, but the charts need to be quickly reversed with a trade above 29,476 as they currently have 4 days of lower highs and lower lows in place. The Commitments of Traders report for the week ending November 17th showed Dow Jones $5 Non-Commercial & Non-Reportable traders net sold 4,329 contracts which moved them from a net long to a net short position of 712 contracts.

The initial action in the NASDAQ should be discouraging to the bull camp, as prices have not managed to take out recent consolidation highs at the 12,000 level despite very upbeat projections for online Black Friday sales and the vaccine headlines. Nonetheless, vaccine and treatment news should provide the broad market with a positive track even if big tech is partially undermined as-a-result of news that Google might be under regulatory scrutiny off competition violations in the UK. Nasdaq Mini positioning in the Commitments of Traders for the week ending November 17th showed Non-Commercial & Non-Reportable traders net sold 5,766 contracts and are now net short 7,526 contracts.

GOLD, SILVER & PLATINUM:
While the US dollar forged a fresh lower low for the move to start the new trading week, the gold and silver trade are not benefiting from that early action. Apparently, risk off/flight to quality markets like gold, silver Treasuries and the dollar are undermined as a result of fresh upbeat vaccine news with the AstraZeneca/Oxford vaccine reportedly preventing an average of 70% of Covid-19 cases. Furthermore, there were also strides made in actual therapeutic treatment of those with Covid-19 thereby extending the recent drumbeat of gains against the pandemic. While gold ETF's saw an inflow last Friday the inflow was minimal at 35,538 ounces and silver ETF's saw a 4th straight day of reductions with a 2.5 million ounces outflow.

Therefore, last week's positive finish in gold and silver prices was clearly a temporary and perhaps misguided reaction to the potential for some form of US stimulus following the maneuvering by the US Treasury Secretary. Upon pulling back unused stimulus funds allotted to the US Federal Reserve from the first US stimulus package, the Treasury Secretary indicated Congress should move to appropriate that money into a narrowly defined politically acceptable stimulus package. However, given the inability of the US Congress to agree on anything and the relatively small amount of money involved in the claw-back ($455 billion), a stimulus agreement would probably not provide anything more than a single day response in prices.

We make a case for a range trade ahead as the unrelenting surge in infections is largely counter veiled by positive updates regarding the vaccine. In retrospect, the gold and silver trade appear to be trading the flight to quality angle and given a moderately large net spec and fund long positioning in both markets, a plateau in the virus and/or news of a larger than expected vaccine availability counts before the end of the year could throw December gold down to and perhaps below critical consolidation low support. The Commitments of Traders report for the week ending November 17th showed Gold Managed Money traders net bought 11,504 contracts and are now net long 122,461 contracts. Non-Commercial & Non-Reportable traders are net long 285,555 contracts after net buying 9,961 contracts. It should also be noted that gold ETF holdings continue to decline which might indirectly confirm the market’s general focus on non-commodity demand prospects.

Similarly, the silver market flared off the hope of US stimulus package last Friday and against ongoing US infection turmoil, and therefore resistance hangs thick over the top of silver to start the new trading week. Adjusted into the highs last Friday, it is likely that the silver spec and fund long is now at the highest levels since the end of February! The November 17th Commitments of

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Traders report showed Silver Managed Money traders were net long 43,921 contracts after increasing their already long position by 2,515 contracts. Non-Commercial & Non-Reportable traders are net long 66,038 contracts after net buying 2,263 contracts. While silver is largely tracking in the footsteps of gold it might be capable of responding quicker and more definitively after the flight to quality liquidation wave expected from a final capitulation off the vaccine solution.

Despite very stellar positive leadership last week from the platinum market, the palladium market at times tracked in the opposite direction of platinum in an indication that some traders might be trading long platinum/short palladium spreads for a long-term uptrend potential in platinum. Therefore, we can't rule out palladium rallies on corrective days in platinum, but the palladium charts favor the bear camp today with last week's spike down move a possible "pointer" of the near-term trend. Fortunately for the bull camp, the net spec and fund long positioning in palladium is relatively small and likely to fall further because of long platinum/short palladium spread trading ahead. Palladium positioning in the Commitments of Traders for the week ending November 17th showed Managed Money traders are net long 3,864 contracts after net selling 433 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 808 contracts to a net long 3,680 contracts.

With a new high for the move in January platinum, the market into Friday's high has forged a November rally of $130. According to day-to-day coverage of the platinum trade, there appears to be long speculation on expectations of a coming end to the pandemic and in turn a recovery of industrial demand for platinum. Clearly talk of substitution and strong demand due to demand for stay at home products with glass screens, there is a longer-term argument for platinum to gain on palladium especially with the $1,400 discount. The Commitments of Traders report for the week ending November 17th showed Platinum Managed Money traders net bought 5,559 contracts and are now net long 6,384 contracts. Non-Commercial & Non-Reportable traders are net long 22,224 contracts after net buying 5,036 contracts.

COPPER:

If it were not for strength in other base metals prices recently, consistently positive Chinese scheduled data, and declining exchange warehouse stocks, we would be skeptical of copper’s current price structure. Furthermore, the copper market is short-term overbought from two-day gains of $0.13 and the market has also been presented with the end of one mining strike in Chile at the Candeleria Mine. Fortunately, for the bull camp, the weekend brought a-number-of very positive developments regarding vaccines and treatment and that combined with a weaker dollar and positive global equities underpins prices against the need for normal corrective balancing. In fact, with last week's Shanghai copper stocks decline, those stocks are at the lowest level since December 2014. It should be noted that another copper mine in Chile has received notice that its workers union is planning to strike this week.

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Apparently, a wage offer from the company is pending but the union is indicating it will likely strike. The mining operation in question produced 276,600 tonnes of copper last year. On the other hand, the copper market last Tuesday registered a record spec and fund long positioning at the COMEX and that positioning is clearly understated given that prices into the high last week were 12.5 cents above the level where the positioning report was measured. Copper positioning in the Commitments of Traders for the week ending November 17th showed Managed Money traders are net long 78,865 contracts after net selling 940 contracts. Copper Non-Commercial & Non-Reportable traders hit a new extreme long of 71,947 contracts. Non-Commercial & Non-Reportable traders are net long 71,947 contracts after net buying 4,237 contracts.

ENERGY COMPLEX:

After seeing the latest favorable vaccine and therapeutic news, we suspected crude oil prices would be extending last week's rally on the upside. Additionally, the crude oil market is deriving lift from a downside breakout in the US dollar, news that India bought 20 million barrels of crude for early delivery next year and from a very sharp gain in Brent crude oil futures at the start of this week. Countervailing the positive Indian oil purchase news is the fact that Indian October crude oil imports were down by more than 20% relative to last year's imports. On the other hand, the Indian January purchase has been touted as the largest purchase since the beginning of the pandemic. Even the supply front is contributing to the upward track in crude oil prices as Yemeni forces reportedly fired a missile that hit a Saudi Aramco oil company distribution facility in Jeddah.

From a shorter-term perspective, Brent crude spread action has shifted very bullish and there have been reports of increased spot demand in India. In fact, yet another bullish development was seen in China where their implied inventory readings declined last month for the first time since 2017, with that decline contrary to the normal seasonal build pattern. The Baker Hughes weekly oil rig count showed a decline of 5 rigs last week, but that was largely offset by a 3-rig jump in Canadian oil rigs operating which in turn posted a 35-week high. While the net spec and fund long position in crude oil was not overly burdensome, the net long is probably understated given that prices from the mark off into the recent high were up another $2.00.

Crude Oil positioning in the Commitments of Traders for the week ending November 17th showed Managed Money traders were net long 294,114 contracts after increasing their already long position by 3,628 contracts. Non-Commercial & Non-Reportable traders net bought 1,370 contracts and are now net long 528,537 contracts. At least in the near term, the markets are not concerned about significant US demand destruction, nor are they concerned about the ever-expanding amount of Libyan production/exports. It is also possible that cash US crude oil prices could begin to firm (and then serve to lift futures) given last week's very sharp jump in US refinery activity.

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Like the crude oil market, the gasoline market continues to grind higher in the face of obvious hope for improved demand in the future. While some private gasoline consultancy services are predicting a 50% decline in US miles driven through the Thanksgiving holiday, there should be some week over week increase in consumption and some support from the cash retail markets because of the lowest Thanksgiving pump prices since 2015. Unfortunately for the bull camp, China has issued another wave of product export quotas and China is expected to see their exports reach a record for 2020, with diesel exports up 83% on year-over-year comparisons. The November 17th Commitments of Traders report showed Gas (RBOB) Managed Money traders are net long 52,040 contracts after net buying 7,442 contracts. Non-Commercial & Non-Reportable traders were net long 63,706 contracts after increasing their already long position by 7,263 contracts.

Somehow, the ULSD market has managed stronger charts than either crude oil or gasoline despite the fact that US weather has been bearish and despite the fact that distillate and diesel stocks continue to maintain large year-over-year surpluses of 28.3 million barrels and 32.8 million barrels respectively. Unfortunately for the bull camp, the net spec and fund long in the ULSD market might have reached the highest level since December 2018 with the current rally. In fact, from the last COT report mark off the market rallied an additional $0.07! The November 17th Commitments of Traders report showed Heating Oil Managed Money traders were net long 2,482 contracts after increasing their already long position by 1,367 contracts. Non-Commercial & Non-Reportable traders net bought 65 contracts and are now net long 28,169 contracts.

The natural gas market should benefit modestly from the improvement in overall market psychology from the vaccine front but also from a slight cooling of the US temperature forecast. It would also appear as if demand for gas at US export terminals. Furthermore, as opposed to the petroleum complex, the natural gas market is technically oversold with the November high to low break already $0.85. Natural Gas positioning in the Commitments of Traders for the week ending November 17th showed Managed Money traders net sold 17,886 contracts and are now net long 83,257 contracts. Non-Commercial & Non-Reportable traders were net long 72,372 contracts after decreasing their long position by 9,769 contracts. In the end, with the January contract breaking by $0.19 from the most recent positioning report, the net spec and fund long is likely the lowest since the middle of September. The most recent Baker Hughes US gas rig operating count increased by 3-rigs and in turn reached a 20-week high. The Canadian gas rig count increased by 9-rigs and posted a 36-week high.

BEANS:

The soybean market seems to be preparing to ration supply "if" harsh weather develops in the next month for southern Brazil and Argentina. January soybeans closed 3 1/2 cents higher on the session Friday but near 15 cents off of the contract high. The market already took out Friday's highs. The market closed 33 cents higher for the week. Futures remain extremely overbought and vulnerable to a pullback. January soybean oil closed lower on the session after a contract high and the key reversal is a bearish technical indicator. Vegetable oils have led the soybean complex higher recently, but with COVID-19 cases spiking around the world, biodiesel usage is likely to take a hit. This along with expectations for record palm production in 2021 could lead to a near term top for soybean oil. What happens with biodiesel mandates in Brazil and Indonesia will be an important force. In addition, just how quickly India vegetable oil recovers will also be a significant force.

If dry conditions continue to develop in South America, the market could eventually see a resumption of its uptrend and there is significant upside potential for the soybean complex. But given the extremely overbought condition and the key reversal Friday for January soybean oil, the market could be vulnerable to at a short-term correction. May soybean meal appears to be losing its upside momentum. On its move to contract highs on November 10, relative strength was at 86.2. When it made new contract highs on November 17, relative strength was only 80.2. This divergence suggests a loss of upside momentum. The contract high Friday occurred with an RSI at 75.3. This indicates a triple divergence pattern, which often signals a near-term top.

Soybeans positioning in the Commitments of Traders for the week ending November 17th showed managed money traders were net long 208,774 contracts after decreasing their long position by 12,320 contracts. This is a long liquidation trend. Non-Commercial & Non-Reportable traders were net long 257,775 contracts after decreasing their long position by 1,922 contracts. For soyoil, managed money traders were net long 103,778 contracts after increasing their already long position by 6,667 contracts. CIT traders were net long 129,047 contracts after increasing their already long position by 1,626 contracts. For soymeal, managed money traders net sold 5,312 contracts and are now net long 78,486 contracts. With recent rains, Argentina plantings jumped 16% in the last week to reach 28.8% complete. Much more rain is needed in southern Brazil and Argentina so the weather remains key to direction.

CORN:

While the longer-term fundamentals are turning more positive, the short-term news is mixed and the market looks a bit vulnerable to a short-term correction. March corn closed 1 cent higher on the session Friday but 5 cents off of the highs. The market closed 8 3/4 cents higher for the week. US exporters announced the sale of 131,000 tonnes of US corn to unknown destination, and also 158,270 tonnes of US corn to Mexico. The market remains extremely overbought, and the divergence in technical indicators suggest a loss in upside momentum. Traders are nervous that the spike in virus cases will significantly reduce ethanol demand and spark a jump in ethanol stocks. Traders also see the short-term weather in South America as a little less supportive than earlier last week.

China's corn imports hit the second-highest level on record in October with imports of 1.14 million tonnes. Imports over the year so far are now running at almost double last year's pace as the nation's hog herd recovers from African swine fever. Cumulative US weekly export sales have reached 59.7% of the USDA's forecast for the 2020/2021 marketing year versus a 5-year average of 37.6%. China bought 174,726 tonnes last week versus an average of 164,534 over the previous four weeks. Total sales on books 10.949 million vs 59,800 a year ago and a 5-year average of 63,186. The November 17th Commitments of Traders report showed managed money traders net sold 1,946 contracts and are now net long 278,889 contracts. This is a slightly long liquidation trend. Non-Commercial & Non-Reportable traders added 5,178 contracts to their already long position and are now net long 382,719.

WHEAT:

The sharp drop in the US dollar and supportive economic/medical news helped to support the wheat market at the start of this week. The market remains in a choppy to lower trend in a wide consolidation. March wheat closed slightly higher on the session Friday and this left the market down 2 1/2 cents for the week. The market followed the other grain markets higher early in the session day, but a lack of follow-through buying early in the session helped to cause a selloff late. While a larger portion of the winter wheat growing areas moved into drought condition, there is rain in the short-term forecast.

Weather and the movement in the US dollar will continue to have a short-term impact. The market does not seem to have the supply fundamentals for much of a recovery bounce, and the southern hemisphere harvest looks to be advancing well. Australia may have some 2-4 million tonnes of more exports than the USDA is currently projecting if the yield outlook remains favorable. China has imported 630,000 tons of wheat in October, up 126.9% from last year. For the year, China wheat imports reached 6.69 million tons, up 163.6% from last year's pace. Traders continue to see Black Sea region wheat as the most competitively priced.

India may also be a significant exporter in the next 4-5 months in order to reduce supply ahead of their harvest. The Commitments of Traders report for the week ending November 17th showed managed money traders are net long 14,414 contracts after net selling 18,219 contracts in just one week. The aggressive selling from fund traders is seen as a short-term negative force. Non-Commercial & Non-Reportable traders are net long 9,372 contracts after net selling 17,053 contracts. For KC wheat, managed money traders are net long 47,967 contracts after net buying 638 contracts for the week. KC Wheat CIT traders hit a new extreme long of 69,048 contracts after adding 1,930 contracts for the week.

HOGS:

December hogs closed higher on the session and managed to hold Thursday's lows and bounce. February hogs pushed down to the lowest level since September 8th and closed sharply higher on the day with an outside day reversal. With the strong demand for export and slaughter well below year ago levels, the market may see follow through buying from Friday's reversal type action. China imported 330,000 tonnes of pork in October, up 80.4% from a year ago. Cumulative imports for 2020 reached 3.62 million tons, up 126.2% from last year's pace. The

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USDA estimated hog slaughter came in at 485,000 head Friday and 277,000 head for Saturday. This brought the total for last week to 2.711 million head, up from 2.683 million the previous week but down 2% from a year ago.

If hogs are slow to move due to COVID-19, producers could back up hogs in the country. The CME lean index as of Nov 18 was 68.77, down from 69.32 the previous session and down from 71.32 a week before. The USDA pork cutout, released after the close Friday, came in at $76.86, down $1.08 from Thursday and down from $78.69 the previous week. Friday's Commitments of Traders report showed managed money traders were net buyers of 1,775 contracts of lean hogs for the week ending November 17, increasing their net long to 35,710. Non-commercial & non-reportable traders were net buyers of 1,337, increasing their net long to 37,432.

CATTLE:

With a supportive USDA report, continued strength in the beef market and supportive outside market forces early this week, the market acts like a short-term low may be in place. The USDA boxed beef cutout closed 65 cents higher at $238.35. This was up from $225.98 the previous week and was the highest the cutout had been since June 9. The Cattle on Feed Report was considered bullish for the 2021 contracts and slightly negative for the cash market. Placements for the month of October came in at 89% from trade expectations for 91.1% of last year (87.3-95.5 range). This will leave less market-ready cattle available during February and March. Marketing's during October came in at 99.9% of last year as compared with expectations near 100.2% of last year (98.5-102.4 range). This would suggest a few more cattle are available than expected early this month. As a result, the November 1 On-Feed supply came in at 101.3% of last year from expectations for 101.8% of last year, 100.9-102.6 range. The lower placements left the on-feed supply a bit lower than expected and the report is supportive. December cattle closed slightly lower on the session Friday and well up from the lows. The selling pushed the market down to the lowest level since October 29.

February cattle closed slightly higher on the session as traders do not believe signals in the beef market with a strong rally, but fear that the short-term surge in virus cases will hurt demand into the holiday season. The USDA estimated cattle slaughter came in at 115,000 head Friday and 72,000 head for Saturday. This brought the total for last week to 665,000 head, up from 653,000 the previous week but down from 668,000 a year ago. Beef production for the week was up 1% from last year. Cash live cattle traded softer in some areas on Friday, but volume was very light. In Kansas 130 head traded at 109 versus an average price of 109.68 on Thursday and 109.96 on Wednesday. In Nebraska 640 head traded at 107 on Friday versus an average price of 109.76 on Thursday and 109.97 on Wednesday. As of Friday afternoon, the 5-day, 5-area average price was 109.63 versus 109.60 the previous week. Friday's Commitments of Traders report showed managed money traders were net buyers of 9,947 contracts of live cattle for the week ending November 17, increasing their net long to 37,934. Non-commercial & non-reportable traders were net buyers of 6,999, increasing their net long to 46,912. CIT traders were net buyers of 1,023 contracts, increasing their net long to 103,214.

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COCOA:
Cocoa prices have benefited from several bullish supply issues that have more than offset global demand concerns. After six positive daily results in a row, a new multi-year high and a huge weekly gain, however, cocoa has reached near-term overbought levels and may be vulnerable to a near-term pullback. March cocoa extended its upside breakout above the September highs before finishing Friday's trading session with a sizable gain. For the week, March cocoa finished with a massive gain of 347 points (up 14.7%) which was also a third positive weekly result in a row.

Reports that the major chocolate maker Hershey is among a group of firms intending to use ICE exchange warehouse cocoa stocks to acquire near-term supplies provided a significant boost to the cocoa market. Ivory Coast and Ghana announced that they may suspend schemes for firm to acquire cocoa beans that are sustainably and ethically sourced, which could create significant tightness for those beans if they follow through with that threat. Ivory Coast continues to see heightened political tensions that could lead to fuel shortages and near-term supply bottlenecks for beans heading to port facilities.

In addition, several West African are dealing with the start of the region's dry season that will likely have a negative impact on their late main crop and early mid-crop production. Ghana (which does not have the political issues seen in Ivory Coast) have seen this season's official purchases fall more than 10% behind last season's pace through early November. A late pullback in the Eurocurrency and a selloff in global equity markets on Friday could become a source of pressure on cocoa early this week as they are likely to weigh on near-term demand prospects.

The Commitments of Traders report for the week ending November 17th showed Cocoa Managed Money traders net bought 6,735 contracts which moved them from a net short to a net long position of 6,120 contracts. CIT traders reduced their net long position by 987 contracts to a net long 36,079 contracts. Non-Commercial No CIT traders went from a net short to a net long position of 1,818 contracts after net buying 8,093 contracts. Non-Commercial & Non-Reportable traders added 8,816 contracts to their already long position and are now net long 23,478.

COFFEE:
After 10 positive daily results over the previous 11 sessions and more than 17.00 cents in gains from an early November low, a negative shift in global risk sentiment after Thursday's close was the trigger for significant end-of-week long liquidation and profit-taking. While the tone of risk sentiment early this week may determine any downside follow-through, longer-term issues with Central American production, a slow start to Vietnam's harvest and lower Colombian output should help coffee to hold its ground on any near-term pullback. March coffee ran out of steam after being unable to reach a new high for the move as it turned sharply to the downside before finishing Friday's trading session with a heavy loss. For the week, however, March coffee finished with a gain of 5.85 cents (up 5.2%) which was a third positive weekly result in a row.

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A more than 1.3% pullback in the Brazilian currency weighed on coffee prices as it could make Brazilian farmers more aggressive with marketing their near-term supply to foreign customers. Late last week, the USDA kept their Brazilian 2020/21 crop forecast unchanged at 67.9 million bags which pressured coffee prices going into the weekend. However, there are significant supply problems in Honduras, Guatemala and Nicaragua following 2 severe storms since the start of November which have damaged trees and will cause delays to this season's harvest. In addition, a series of storms have caused significant delays to Vietnam's 2020/21 harvest, and wetter than normal weather due to a La Nina weather event could cause further supply bottlenecks over the rest of this year.

ICE exchange coffee stocks rose by 5,959 bags on Friday to reach a new high for November, and they have risen nearly 140,000 bags (up 11.3%) from their multi-decade low in early October. The November 17th Commitments of Traders report showed Coffee Managed Money traders added 7,933 contracts to their already long position and are now net long 9,029. CIT traders added 2,564 contracts to their already long position and are now net long 59,782. Non-Commercial No CIT traders net bought 7,927 contracts which moved them from a net short to a net long position of 7,623 contracts. Non-Commercial & Non-Reportable traders net bought 7,722 contracts and are now net long 31,528 contracts.

COTTON:

March cotton broke out of its recent consolidation on Friday and traded to its highest level since April of 2019 this morning. The market is balancing between concerns about expanding coronavirus infections and progress being made on the vaccine front. On Friday, there were reports that Pfizer and BioNTech were filing paperwork to get permission to mass produce their vaccine, which may have pushed the momentum towards the optimistic side of the pendulum. Keep in mind that the pandemic has led to the clothing and textile pipeline being close to full due to slow sales during the spring and summer. Those garments would likely need to be sold before manufacturers ramp up their demand for cotton. The latest weekly US export sales report showed the lowest weekly sales since early October and the second lowest for the entire marketing year. ICE exchange cotton stocks have been rising as well, which will weigh on prices going forward.

The 1-5 day forecast calls for rainfall over the cotton belt, with the heaviest area ranging from eastern Texas and Oklahoma extending into northern Mississippi, Alabama and the northwest corner of Georgia. This could delay the harvest and potentially damage crops in the field. Today's Crop Progress report will give an indication as to how much of the crop is still unharvested and therefore exposed to damage. Last week's report showed 69% of the crop was, up from 61% the previous week and matching the 10-year average. Friday's Commitments of Traders report showed managed money traders were net sellers of 1,529 contracts of cotton for the week ending November 17, reducing their net long to 57,565. Non-commercial & non-reportable traders were net sellers of 1,173, reducing their net long to 82,167.

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SUGAR:
Sugar's wild finish to last week's trading kept the market in close proximity to last Tuesday's multi-year high, but the market continues to have a very large net spec long position. With the longer-term supply outlook continuing to be bearish, sugar has reached near-term overbought levels and remains vulnerable to a sizable pullback in front of the Thanksgiving holiday. March sugar was able to make a sizable gain from midsession lows, but it still finished up Friday's trading session with a mild loss. For the week, however, March sugar finished with a gain of 25 ticks (up 1.7%) which was a ninth positive weekly result over the past 10 weeks.

A sizable pullback in the Brazilian currency weighed on the sugar market as it will encourage Brazil's Center-South mills to continue favoring sugar production over ethanol production. A late rebound in energy prices helped sugar to regain lost ground as that may support domestic ethanol demand in Brazil and divert cane crushing away from sugar output and towards ethanol output. Thailand will have a second season in a row with production at multi-year lows, and the European Union 2020/21 output will decline from last season.

Over the first seven months of the 2020/21 season, Brazil's Center-South sugar output was running more than 11 million tonnes ahead of last season's pace and putting them on track for record high 2020/21 sugar exports above 30 million tonnes. There is no rain in the forecast for Center-South cane-growing areas through early December and while that may negatively impact late-harvested cane, it should also minimize harvesting and crushing delays. There are reports that India lost out on over 1.6 million tonnes of export business since the start of October due to their government not approving an export subsidy for this season.

India will have a sizable increase in 2020/21 sugar production from last season's total and once their export subsidy situation is resolved, their exports could climb above 6 million tonnes. The November 17th Commitments of Traders report showed Sugar Managed Money traders net bought 7,234 contracts and are now net long 252,922 contracts. CIT traders were net long 278,092 contracts after increasing their already long position by 1,303 contracts. Non-Commercial No CIT traders net bought 11,542 contracts and are now net long 201,971 contracts. Non-Commercial & Non-Reportable traders were net long 362,445 contracts after increasing their already long position by 17,157 contracts.

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