ADM Investor Services, Inc.

WEEKLY MARKET SUMMARY

9 November, 2020

For the Week of November 9, 2020

BONDS:
The treasury markets finished another volatile trading week with the low to high range nearly 6 full points! In retrospect, it is likely that treasuries bonds saw a significant wave of technical short covering just ahead of the election off the idea that widespread looting and rioting would create some flight to quality into treasuries. However, the US nonfarm payroll report in general shows ongoing recovery even if the recovery fails to give off the impression of holding its strong momentum seen in the March through July timeframe. With surprisingly positive vaccine news early this week (90% effective and more effective than the normal flu and Chicken pox vaccines), the risk-on environment is extended, and Treasuries are likely to return to the November lows.

In retrospect, the US nonfarm payroll report was "good enough" to leave favor with the bear camp and it would appear as if anxiety from the US election will continue to drain from the marketplace. Certainly, treasuries and the dollar (recent flight to quality markets) were showing some initial gains, but recent trends suggest that both markets will remain vulnerable to follow-through downside action. While the US economic report slate is virtually empty at the start of this week, the trade will be presented with a pair of Fed speeches which are likely to request Congress to step up and provide fresh fiscal stimulus. As we have indicated in other market coverage, traders should not underestimate the sea change off the vaccine news as Press attempts to play down the availability of doses is miss guided.

In fact, Pfizer thinks it can have 50 million doses by the end of the year. It should also be noted that nearly 10 million people in the US have already had the virus and that lowers the necessary doses needed. We would also suggest other drug companies will be joining the manufacturing process and Operation Warp Speed might surprise with significant doses. From a technical perspective, the net spec and fund short in bonds remained significant in last week's report but from that report mark off bonds should have trimmed shorts even further with a rally of nearly 4 points! Bonds positioning in the Commitments of Traders for the week ending November 3rd showed Non-Commercial & Non-Reportable traders net sold 6,219 contracts and are now net short 230,669 contracts. T-Notes positioning showed Non-Commercial & Non-Reportable traders net sold 7,553 contracts and are now net long 25,402 contracts.

CURRENCIES:
While there was not a specific "risk on" vibe flowing from equities or better than expected US jobs news, the dollar continued to liquidate late last week and in-the-process fell back within striking distance of the 2020 low. However, it is possible that the currency trade saw the US payroll data as "good enough" to suggest the recovery is continuing even if the pace of recovery appears to be slowing. However, the surging US infection rate increases the potential for official restrictions of activity ahead and that could suddenly turn the head of the dollar away from the

downside. While the dollar has not seen significant downside extension action off the very favorable vaccine news early this week, the trend remains down.

In fact, given the vaccine news and the definitive extension of "risk on" traders should expect to see more aggressive rotation into cheaper/greater return potential non-dollar currencies. While some US election anxiety remains and is supporting the dollar, very favorable Chinese export data overnight suggests the global economy continues to grind forward and is buying Chinese products. At this point we see a return to the early September low down at 91.75 ahead. The Commitments of Traders report for the week ending November 3rd showed Dollar Non-Commercial & Non-Reportable traders went from a net short to a net long position of 1,415 contracts after net buying 2,157 contracts.

Economic data from the euro zone was generally supportive of the currency with German exports and Sentix Investor Sentiment both coming in better than expected. However, the euro is partially held back by news that German imports in September contracted against expectations for a 1.4% gain. In the near term, the euro is likely to be driven by forces outside of the euro zone as ongoing infections in the euro zone appear to be over shadowed or counter veiled by the ongoing surge in US infections. On the other hand, the euro is certainly overbought given the prior 3 days aggressive rally and corrective action back down to 1.1833 should not be surprising. The November 3rd Commitments of Traders report showed Euro Non-Commercial & Non-Reportable traders are net long 186,763 contracts after net selling 22,289 contracts.

Apparently the Yen has not transitioned into a "pro-growth/recovery currency" as the Yen is lower early this week despite very favorable vaccine news and stimulus promises from the Japanese Prime Minister and favorable Japanese coincident and leading economic indicators for September. Therefore, a safe-haven liquidation bias looks to throw the December Yen back below 96.00. While the Swiss did forge a quasi-double high early today and the currency is showing corrective action, a general risk on psychology in the marketplace leaves the bull camp with an edge. Unfortunately for the bull camp, the Swiss is not driven by domestic economic data as the October unemployment rate in Switzerland dropped overnight. A normal retracement of last week's massive rally gives downside points of 1.1044 and 1.1012.

With very favorable vaccine news, US election fears subsiding and last week's promise of additional bond buying fuel helps to underpin the currency gains from last week. In the end, the Pound should continue to benefit from its "recovery currency status" and very definitive upbeat psychology/equity market gains should help the currency claw back above 1.3350. Clearly, recent Canadian jobs growth has not discouraged the bull camp with the Canadian forging a fresh higher high for the move at the start of this week and the currency soaring. Not surprisingly, the vaccine news will be the primary driving force for the Canadian and therefore we remain bearish toward the US dollar and bullish toward the Canadian dollar.

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STOCKS:

The stock markets waffled around both sides of unchanged late last week as it appeared that election uncertainty was continuing to narrow throughout the trading session despite the fact that there will likely be significant legal challenges from the incumbent President into the coming weeks. However, press outlets are attempting to fan fear of the record amount of daily infections and given that total of 120,000 per day is hard to discount that threat against stocks this week. Global equity markets were initially higher at the start of this week with some gains nearing 2%, but favorable vaccine news launched prices sharply higher with the Dow showing gains near 1,400 points. With fresh new highs for the move in several market measures, very favorable Chinese economic news, the potential for fresh Japanese stimulus and lower US political anxiety, the bull camp should extend its control aggressively this week.

The S&P enters the news week soaring and a significant amount of optimism should be seen despite Press attempts to cite the remaining negatives. Obviously, the market’s capacity to "look beyond" the crisis was justified. Despite the uptrend since the March lows the net spec and fund long in the E-mini S&P remains well below levels considered to be overdone and therefore the overall technical condition of the market should allow for more gains. The Commitments of Traders report for the week ending November 3rd showed E-Mini S&P Non-Commercial & Non-Reportable traders are net long 91,332 contracts after net selling 33,689 contracts. Critical support is seen at a series of closes last week at 3511.75 and near-term upside targeting is seen up at 3700.00.

The Dow futures have also started out on a positive track and then jumped aggressively following favorable vaccine news. Therefore, it is possible that rotation from stay at home tech orientated companies to less expensive companies will be seen. As for positioning the net spec and fund long in the Dow is very low which suggests the bull camp should have plenty of buying fuel if macroeconomic conditions remain positive. The Commitments of Traders report for the week ending November 3rd showed Dow Jones $5 Non-Commercial & Non-Reportable traders net sold 8,721 contracts and are now net long 1,157 contracts. Not surprisingly, the NASDAQ showed initial aggressive upside leadership action but reversed course and saw profit taking in high valued stay at home/tech stocks. The November 3rd Commitments of Traders report showed Nasdaq Mini Non-Commercial & Non-Reportable traders net bought 488 contracts and are now net long 10,331 contracts.

GOLD, SILVER & PLATINUM:

Both gold and silver prices have started the new week out with extensions of last week's rally, with fresh higher highs. Bolstering the bull case is an ongoing "relative calm" in US politics, signs of Chinese growth from imports/exports, a residually low US dollar and reports that Chinese gold consumption in the 3rd quarter recovered significantly. Granted the wedding season in China bolstered the 28.7% jump in demand in the quarter ending September, but that also suggests that Chinese gold consumption began to recover in the summer or just 5 months after

China declared their infection curves were coming under control. It should also be noted that 3rd quarter consumption of gold coins and bars in China jumped by nearly 67%. Traders might expect Chinese gold consumption to continue to recover following a significant jump in October country overall exports and imports.

Adding to the bullish tilt at the start of this week is news that investors returned to gold and silver ETF investments last Friday with gold ETF's adding 293,641 ounces while silver or holdings increased by 950,640 ounces. The gold ETF inflow Friday was the largest single day inflow since September 21st. Going forward, the most likely key force driving all markets will be the evidence of progress or failure from the vaccine front as preliminary results of the final stage trial were promised within weeks several weeks ago. Therefore, traders need to be aware of the potential for vaccine progress which in turn would be a major risk on event that could propel gold and silver back to this year's highs. On the other hand, in the event that the leading vaccine candidate is delayed or fails to achieve efficacy, that would be a major "risk off" event capable of throwing gold and silver back to and perhaps below the late October lows. Holding back the gold market is news that Indian buyers are beginning to back off purchases ahead of Diwali citing expensive pricing.

While the most recent positioning report in gold saw a reduction in the net long, the overall size of the net long is still relatively low compared to the last 14 months. The Commitments of Traders report for the week ending November 3rd showed Gold Managed Money traders reduced their net long position by 9,658 contracts to a net long 121,951 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 7,920 contracts to a net long 287,910 contracts. The silver market is also cheered by a slight dissipating of political uncertainty last week and given strong chart action last week, follow-through buying is expected. Like gold, the silver market will clearly track the direction of global equity markets and will likely need an uptick in Chinese inflation later this week or favorable vaccine news to spike up to $27.90. Silver positioning in the Commitments of Traders for the week ending November 3rd showed Managed Money traders reduced their net long position by 326 contracts to a net long 41,447 contracts. Non-Commercial & Non-Reportable traders were net long 63,595 contracts after increasing their already long position by 555 contracts.

Like gold and silver, the palladium market broke out up on the back of a decrease in US political uncertainty last week. It should also be noted that the rally at the end of last week was forged on two days of heavy volume, thereby giving credence to the potential for further gains this week. While the net spec and fund long in palladium is understated given that prices since the report rallied $215, the net spec and fund long is not overbought with this week's net long less than one-fifth the 2020 high in the net spec and fund long. Palladium positioning in the Commitments of Traders for the week ending November 3rd showed Managed Money traders are net long 3,165 contracts after net selling 948 contracts. Non-Commercial & Non-Reportable traders were net long 2,867 contracts after decreasing their long position by 1,093 contracts. With the upside breakout last week, the next critical point is the gap up at $2,537.30 which is the price where the big pandemic washout began in earnest in March! While the platinum market returned to the vicinity of critical downtrend channel resistance from the August high last week, it clearly underperformed the rest of the precious metal markets. To reverse the 2 1/2 month old downtrend requires a rally back above the downtrend line at $938.65. The November 3rd Commitments of Traders report showed Platinum Managed Money traders net sold 1,027 contracts which moved them from a net long to a net short position of 346 contracts. Non-Commercial & Non-Reportable traders net sold 276 contracts and are now net long 15,667 contracts.

COPPER:

With the passing of the US election, an agreement between Codelco and a major Chinese buyer (with respect to treatment charges for 2021 purchases), Chinese steel prices hitting the highest since July of 2019 and strong Chinese import/export data it is clear that the potential for stronger Chinese copper buying remains in place. In fact, Chinese unwrought copper/copper product imports year to date (at the end of October were up 41.4%) over year ago levels with copper ore and concentrate imports up only 0.8%. In our opinion, the lower copper ore imports were mostly the result of Chinese desires to import finished products instead of making the products domestically. Furthermore, with a decline in weekly Shanghai copper stocks last week, an ongoing strike in Chile and declining LME copper warehouse stocks, the bull camp has several themes working in its favor.

In fact, Shanghai copper stocks last week declined over 10% and it would appear as if overall exchange stocks are back in a declining pattern. With the recent net spec and fund long positioning in copper pulling back away from all-time highs, that should be a sign that the technical overbought condition of the market into the October high had been recently corrected. Copper positioning in the Commitments of Traders for the week ending November 3rd showed Managed Money traders reduced their net long position by 8,877 contracts to a net long 79,380 contracts. Non-Commercial & Non-Reportable traders were net long 64,885 contracts after decreasing their long position by 6,487 contracts.

ENERGY COMPLEX:

Obviously, the news of a 90% effective vaccine shifts the entire fundamental perspective in favor of the bull camp with many weeks of demand destruction fears tempered psychologically and eventually in reality! Therefore, key fundamental and technical reversal action last week has itself been reversed! In fact, recent news of the ongoing powering up of Libyan production is now offset but the question becomes how quickly the vaccine can begin to open-up the economy. However, a longer-term negative was seen at the end of last week following news that US oil and gas drilling rigs in operation last week posted an 8th straight week of gains. According to Reuters, that is the first 8-week string of production increases since June 2016.

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Another negative for crude oil is the northeast track of Tropical Storm Eta as it is highly unlikely to impact US production. Fortunately for the bull camp, the net spec and fund long in crude oil is near the lowest level in 6 months and therefore long liquidation has run its course and fresh speculative buying fuel should be readily available. The Commitments of Traders report for the week ending November 3rd showed Crude Oil Managed Money traders were net long 263,872 contracts after decreasing their long position by 33,789 contracts. Non-Commercial & Non-Reportable traders net sold 25,643 contracts and are now net long 508,660 contracts. Obviously, the bull camp in crude oil "needed" very positive risk on signals from equities to avoid a sustained retrenchment below $35 in January crude oil and it got that catalyst and then some!

Like the crude oil market, the gasoline market has reversed course this morning after reversing course and tracking down last week. Therefore, there is the potential for significant short covering buying at the same time that fresh speculative buying should also be expected. In fact, signs of product supply building up foreign storage could have sent January RBOB back down below $1.05 this week if the vaccine news had not surfaced. Furthermore, it should be noted that the net spec and fund long was at the lowest level since July 3rd of 2017 and that should give the market plenty of buying fuel. The November 3rd Commitments of Traders report showed Gas (RBOB) Managed Money traders reduced their net long position by 12,987 contracts to a net long 26,482 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 12,614 contracts to a net long 38,878 contracts.

Clearly last week the ULSD market turned down ahead of the rest of the complex and would have been pulled sharply lower in the coming week if not for the vaccine news. As indicated in the gasoline coverage, the entire paradigm has been changed with the heating oil market the most "beat up" market as a result of ongoing demand destruction. Therefore, it might have significant upside capacity. Heating Oil positioning in the Commitments of Traders for the week ending November 3rd showed Managed Money traders are net short 14,225 contracts after net selling 1,782 contracts. Non-Commercial & Non-Reportable traders are net long 7,085 contracts after net selling 296 contracts.

Obviously, the surprise favorable vaccine news has shifted the entire paradigm in natural gas, but the sustained benefit might not be as significant as in other physical commodity markets. Since tropical Storm Eta did not lift natural gas prices last week, the track of the storm away from US production areas should not be that negative to prices. While US gas rigs operating last week declined by one overall, US oil and gas rigs operating are on the rise leaving future supply prospects a negative for gas. Yet another bearish influence is an above normal temperature forecast for over one half of the United States as above normal temperatures in mid-November will not result in significant heating or cooling demand.

With the last positioning report in natural gas showing a sizable net spec and fund long, the market was primed for a correction of note. Certainly, the net spec and fund long has been brought down with the slide of $0.19 after the report was calculated, but we see more stop loss selling to start the week. The Commitments of Traders report for the week ending November 3rd showed Natural Gas Managed Money traders are net long 107,081 contracts after net selling 16,267 contracts. Non-Commercial & Non-Reportable traders are net long 81,953 contracts after net buying 5,533 contracts.

BEANS:

As the smoke clears from the election and the global economy improves in 2021, and once the virus becomes available to at least 50 million people in 2020, and billions of doses for 2021, a move towards back to normal for the global economy is a very bullish force. Agricultural markets are likely to see a bigger impact from the threat of inflation. The massive amount of money spent on propping up the US economy in 2020 and the likelihood that whoever the president is will support another stimulus package should be supportive to the economy, but the US will still be faced with a massive debt burden that could trigger a significant downtrend in the US dollar in the next few years.

These inflationary expectations could be a positive influence on agricultural markets, especially those with decent supply/demand fundamentals. January soybeans closed 2 1/4 cents lower on the session Friday and this left the market with a gain of 45 1/4 cents for the week. Talk of the overbought condition of the market helped trigger some selling. Exporters announced the sale of 30,000 tonnes of US soybean oil sold to South Korea. Exporters also an announced the sale of 272,150 tonnes of soybeans to unknown destination and 132,000 tonnes of US soybeans to delivery to China.

Cumulative soybean sales have reached 81.0% of the USDA forecast for the 2020/2021 marketing year versus a 5 year average of 52.2% sold for this time of the year. With very strong export demand, record type crush and some weather concerns in South America, plus the possibility of lower US production, the market trend looks to remain up. For the Brazil Conab production estimate, traders see soybean production near 133.8 million tonnes (132.2-136.2 million range), as compared with 133.7 million as their October estimate and 133 million tonnes by the USDA.

Palm oil exports from Malaysia are expected to increase by 5.6% for 2020, according to the government. For the 2021/22 season as part of their long-range forecasts, the USDA sees US soybean plantings at 89 million acres, up from 83.1 million this year. China soybean imports for October were up 41% from a year ago to 8.69 million tonnes, which was down slightly from the 9.8 million tonnes in September. Imports of vegetable oils were 885,000 tonnes in October, down 3.9% from last month.

For the November USDA supply/demand update traders see soybean ending stocks near 235 million bushels (190-292 million range), as compared with 290 million bushels in October. Given the surge in demand from China for US soybeans and the fact that US soybeans are still cheapest in the world, we think the low-end estimate could be right on track. The November 3rd Commitments of Traders report showed soybeans managed money traders are net long 210,957 contracts after net selling 21,760 contracts for the week (long liquidation). CIT traders reduced their net long position by 3,575 contracts to a net long 206,656 contracts.

For Soyoil, managed money traders reduced their net long position by 5,375 contracts for the week to a net long 89,051 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 2,033 contracts to a net long 133,418 contracts. For meal, managed money traders net bought 851 contracts and are now net long 85,130 contracts. Non-Commercial & Non-Reportable traders net sold 6,114 contracts and are now net long 131,362 contracts.

CORN:

The corn market recovered from early weakness at the start of this week as a $3.35 rally in crude oil plus concerns over inflationary expectations into 2021 are factors which improve the demand outlook. If the weather in South America is poor because of La Nina, the global production deficit will be even larger than current expectations. However, because of the late start to plantings, Brazil producers may have shifted more than 1 million hectares to corn. For the Conab corn production estimate, traders see corn production in Brazil at 111.4 million tonnes (range 104.5-116.4 million) as compared with 105.2 million tonnes projected in October.

The USDA in the last world supply/demand report pegged Brazil corn production at 110 million tonnes. For the USDA supply demand update, traders see corn ending stocks near 2.033 billion bushels (1.850-2.217 billion range) as compared with 2.167 billion bushels in the October update. Cumulative corn export sales have reached 56.2% of the USDA forecast for the 2020/2021 marketing year versus a 5 year average of 34.1%. December corn closed 2 1/2 cents lower on the session Friday and this left the market with a gain of 8 1/4 cents on the week. Exporters announced the sale of 206,900 tonnes of US corn to unknown destination. Ukraine grain exports are down 14.5% so far this season from July.

The market is a little overbought technically, but if South America weather remains sketchy, the trend should remain up. More and more traders believe that US production will be revised down from the current estimate and that the export forecast will be revised sharply higher. In the USDA's longer-term projections, they see corn planting for the 2021/22 season at 90 million acres, down from 91 million this year. The November 3rd Commitments of Traders report showed managed money traders were net long 290,080 contracts after increasing their already long position by 13,845 contracts in just one week. CIT traders are net long 349,874 contracts after net buying 10,362 contracts. Non-Commercial & Non-Reportable traders were net long 363,222 contracts after decreasing their long position by 6,331 contracts.

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WHEAT:

The wheat market was trading moderately lower on the session until the vaccine news was released. Outside market forces are bullish and could help support short-term buying, but fund traders might be concentrating more on commodities which are more closely correlated with the economy. December wheat closed 7 1/4 cents lower on the session Friday, and this left the market up 3 1/2 cents on the week. There remains some crop issues, but it will take an enormous drop in production in order to avoid record world ending stocks. For the USDA Monthly Supply/Demand report, traders see wheat ending stocks near 881 million bushels, (range 858-901 million), as compared with 883 million bushels in the last USDA update.

Prices of Australia wheat offered in Asia fell last week below Black Sea region values for the first time in at least four years. Australia has a near record large crop this year and China is avoiding purchases from them. While the official Australian estimate for production is at 28.9 million tonnes, some traders are projecting big yields and a crop near 32 million tonnes. In their longer-term budget process, the USDA sees wheat plantings for next year near 46 million acres, up from 44.3 million this year.

While the international tender market remains active, the US continues to struggle to get much of the business. At the Egypt tender, they bought 300,000 tonnes of wheat which all came from Russia. Wheat positioning in the Commitments of Traders for the week ending November 3rd showed managed money traders net sold 291 contracts and are now net long 48,605 contracts. CIT traders added 5,887 contracts to their already long position and are now net long 139,222. Non-Commercial & Non-Reportable traders net sold 5,233 contracts and are now net long 36,715 contracts. For KC wheat, managed money traders are net long 46,859 contracts after net buying 5,449 contracts for the week. CIT traders are net long 67,019 contracts after net buying 1,886 contracts. Non-Commercial & Non-Reportable traders were net long 42,909 contracts after increasing their already long position by 5,239 contracts.

HOGS:

The hog market action last week was negative but with vaccine news this morning, all commodity markets should get a good boost. More stimulus, plus ideas that the global economy will be very strong in 2021, plus massive deficits are factors which may attract fund traders to all commodities. December hogs traded near unchanged early Friday but the market closed sharply lower on the day and experienced the lowest close since October 7. The continued sharp break in the lean index helped to trigger the selling. The CME lean index as of Nov 4 was 71.52, down from 72.05 the previous session and down from 75.49 a week before. The USDA pork cutout, released after the close Friday, came in at $82.95, down $2.18 from Thursday and down from $83.04 the previous week.

The USDA estimated hog slaughter came in at 488,000 head Friday and 260,000 head for Saturday. This brought the total for last week to 2.713 million head, up from 2.683 million the previous week and up from 2.698 million a year ago. Friday's Commitments of Traders report showed managed money traders were net sellers of 4,868 contracts of lean hogs for the week ending November 3, reducing their net long to 35,714. Non-commercial & non-reportable traders were net sellers of 3,001, reducing their net long to 39,331.

CATTLE:

The USDA boxed beef cutout closed $1.77 higher last Friday at $214.32. This was up from $208.10 the previous week and was the highest the cutout had been since October 12. On Friday cash live cattle traded mostly steady with earlier in the week, which was up $1-$2 from the week before. As of Friday afternoon, the 5-day, 5-area average price was $106.48, up from $104.41 the previous week. With the solid gains in the beef market and the uptrend in the cash market, buyers could remain active short-term. While slaughter for the week was down 1.5% from a year ago, beef production was up 0.4%. December cattle closed slightly higher on the session Friday and the buying pushed the market up to the highest level since October 16.

The strong rally in the beef market and higher cash cattle trade last week are seen as positive factors, however, news of record high weights would indicate a backlog of cattle in feedlots. Average dressed steer weights are at a record high 931 pounds, up from 929 the previous week and 906 a year ago. The USDA estimated cattle slaughter came in at 109,000 head Friday and 59,000 head for Saturday. This brought the total for last week to 647,000 head, up from 638,000 the previous week but down from 657,000 a year ago. Friday's Commitments of Traders report showed managed money traders were net buyers of 1,257 contracts of live cattle for the week ending November 3, increasing their net long to 16,068. Non-commercial & non-reportable traders were net sellers of 2,529, reducing their net long to 28,918.

COCOA:

2020 has been a bad year for cocoa as demand took a severe hit in the US and much of the world, but as the virus fades and demand turns more positive, the market should be in a position to seek higher prices. If inflation becomes a factor, end-users will want to expand the pipeline after the slow consumption in 2020. March cocoa was able to build on its late-week recovery move with a moderate gain for Friday’s trading session. For the week, March cocoa finished with a gain of 33 points (up 1.4%), a second positive weekly result over the past 3 weeks and a positive weekly reversal from Monday’s 3-month low. Improving global risk sentiment in the wake of the US election helped to soothe cocoa’s near-term demand concerns.

In addition, ongoing Ivory Coast political tensions gave an additional boost as they could lead to near-term supply bottlenecks. West African weather has been favorable so far but with political tensions on the rise, there could be some uncertainty about production and quality for the main crop. Political tensions in Ivory Coast have also led to disruptions in that nation's fuel supply, which will further restrict the flow of main crop cocoa beans to major port facilities. Port arrivals during the 3 business days following the October 31st Presidential election were reportedly less than half of the comparable period for the previous week and 30% below the comparable period last year.

After several weeks that came in above last year's results, the latest reading on Ivory Coast port arrivals should come well below last year's comparable total. There were also reports that a leader in the opposition has called for the Ivory Coast army to munity and join their forces. While there has been no damage to cocoa plantations, trees have been left unattended during this period of unrest. This has left a large portion of Ivory Coast's main crop production vulnerable to quality problems.

The November 3rd Commitments of Traders report showed Cocoa Managed Money traders net sold 14,930 contracts which moved them from a net long to a net short position of 1,132 contracts. CIT traders are net long 35,482 contracts after net buying 2,010 contracts. Non-Commercial No CIT traders went from a net long to a net short position of 6,778 contracts after net selling 15,858 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 16,779 contracts to a net long 14,169 contracts.

COFFEE:

Coffee demand took a big hit in 2020, and the market also experienced a near record harvest from Brazil. However, as demand improves, inflation picks up, the US dollar drops, and the focus shifts to the possibility of a much smaller Brazilian crop for 2021, the market should be set for a rally. March coffee was able to maintain upside momentum as they finished Friday's trading session with a modest gain. For the week, March coffee finished with a gain of 1.60 cents (up 1.5%) which broke a 3-week losing streak and was a positive weekly reversal from Wednesday's 3 1/2 month low.

A nearly 3.0% rally in the Brazilian currency to a 7-week high was a third straight sizable daily gain, and that will ease pressure on Brazil's farmers to market their near-term coffee supplies. Colombia's October coffee production came in at 1.159 million bags which was 15% below last year's total, which provided additional support as Colombia is falling below a 14-million bag annualized pace. Hurricane Eta has brought heavy rainfall and high winds over coffee-growing regions in Nicaragua, Honduras, and Guatemala, which could cause damage to coffee trees and further delay harvesting.

Typhoon Goni made landfall over Vietnam during the weekend and is expected to lead to heavy rainfall and flooding over that nation's Central Highland growing region which will delay their harvest and potential cause flooding and damage to coffee trees. The 2020/21 Brazilian "on-year" crop was a near record 67.9 million bags, but the 2021/22 season will have "off-year" crop that many traders expect to be in the range of 53 to 59 million bags. The smaller production outlook may be due in part to drier than normal conditions this year and a La Nina weather event that could lead into early next year.

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ICE exchange coffee stocks rose by 9,995 bags on Friday and have reached their highest levels since September 8th, which provides more evidence of a downturn in fourth quarter European demand from new COVID-19 shutdowns of restaurants and retail shops. The November 3rd Commitments of Traders report showed Coffee Managed Money traders are net long 4,907 contracts after net selling 6,913 contracts. CIT traders reduced their net long position by 157 contracts to a net long 54,005 contracts. Non-Commercial No CIT traders net sold 7,046 contracts and are now net long 2,602 contracts. Non-Commercial & Non-Reportable traders were net long 26,771 contracts after decreasing their long position by 6,942 contracts.

COTTON:

December cotton sold off sharply last Friday, giving back most of its gains from earlier in the week and approaching its lows from Monday. Increasing coronavirus cases in the US and around the world have resurrected concerns about textile demand going forward. For Tuesday's USDA Crop Production and Supply/Demand (WASDE) reports, the average trade expectation for US production is 16.56 million bales (range 15.90-17.00 million) down from 17.05 million in the October report. US exports are expected to be around 14.69 million bales (range 14.00-15.90 million) versus 14.60 million in October. US ending stocks are expected to come in around 6.61 million bales (range 5.65-7.00 million), down from 7.20 million in October. This would be down from 7.25 million bales in 2019/20 but up from 4.85 million in 2018/19 and still the second highest since 2007/08. World ending stocks are expected to be around 100.92 million bales (range 99.00-102.07 million), down from 101.13 million in October and 103.84 million in September but still a record level.

The NWS 1-5 day forecast call for heavy rains in the southeast, from western Alabama to the Carolinas, with moderate rainfall expected across most of the Delta. This could affect harvest progress and will put Monday afternoon's Crop Progress report into focus if it shows a substantial portion of the crop still not harvested in those areas. Friday's Commitments of Traders report showed managed money traders were net sellers of 6,030 contracts of cotton for the week ending November 3, reducing their net long to 64,171 (long liquidation trend). Non-commercial, no CIT traders were net sellers of 8,287, reducing their net long to 56,876. Non-commercial & non-reportable traders were net sellers of 9,663, reducing their net long to 86,995.

SUGAR:

Sugar continued its volatile whipsaw price action through the first week of November, and in spite of mixed signals from key outside markets is back to within striking distance of posting a new 2 1/2 year high. The market continues to have a very large net spec long position and a bearish global supply outlook, and that combination leaves sugar vulnerable to additional long liquidation early this week. March sugar was able to shake off early pressure before finishing Friday’s outside-day session with a sizable gain. For the week, March sugar finished with a gain of 55 ticks (up 3.8%) which was a seventh positive weekly result over the past 8 weeks.

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WEEKLY MARKET SUMMARY

9 November, 2020

A 3.0% rally in the Brazilian currency was its third sizable daily gain in a row, a new 7-week high and a 7.2% recovery move following the US election. This updraft provided sugar with significant carryover support as it eases the pressure on Brazil's Center-South mills to produce sugar for export that is paid for with foreign currencies. While energy prices finished the week on a downbeat note, they will start out this week far above last above last Monday's 5-month lows so their negative impact on Brazilian ethanol demand was limited at best.

India has yet to decide on a sugar export subsidy for this season, and that provided additional support going into the weekend. In addition to the Indian government's concern over an export subsidy while the COVID-19 pandemic impacts their nation, another potential reason for the delay are state elections that will finish up this month. While the World Trade Organization have convened a dispute settlement panel after objections from Brazil, Australia and Guatemala, the WTO's report is not expected to be released until the second quarter of 2021.

There are reports that sugar is among several commodities that Chinese firms have cut back on imports from Australia, which could see a shift towards imports from Brazil and other major producers. The November 3rd Commitments of Traders report showed Sugar Managed Money traders were net long 246,556 contracts after decreasing their long position by 16,494 contracts. CIT traders added 445 contracts to their already long position and are now net long 273,561. Non-Commercial No CIT traders net sold 19,952 contracts and are now net long 191,382 contracts. Non-Commercial & Non-Reportable traders are net long 342,655 contracts after net selling 24,636 contracts.

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