ADM Investor Services, Inc.

WEEKLY MARKET SUMMARY

14 December, 2020

For the Week of December 14, 2020

BONDS:

The treasury market settled into an upward track with economic data in the US deteriorating and infections clearly expected to extend restricted activity through the end of the year. In retrospect, the treasury markets were supported by a favorable price reaction to last week's 30-year bond auction and some buyers were moving into the markets in anticipation of supportive influences from this week's Federal Reserve meeting. While a number of developments are serving to deflate flight to quality interest in treasuries early this week, some of those forces have failed to become reality many times in the recent past. Therefore, part of the weakness in bond and note prices is suspect, with fresh hope on both the Brexit and stimulus fronts the most unreliable. On the other hand, a sweep of positive global equity market action, the physical beginning of inoculations, near term hopes of the beginning of inoculations from a 2nd vaccine later this week and some hope that the US Fed might step up with assistance on Wednesday, emboldening the bear camp. Anecdotal bearish news was seen over the weekend with reports of record US Christmas tree sales, Christmas decorations sales exploding and economists expecting electronic sales of gifts to post records.

From a technical perspective, the bond market was short-term overbought with last week's low to high rally of 3 points, but we think that rally took place within a developing bear market. Certainly, the net spec and fund short position declined in the last weekly report and was likely reduced further with the rally after the report, but the net spec and fund short remains extreme! The December 8th Commitments of Traders report showed Bonds Non-Commercial & Non-Reportable traders are net short 222,523 contracts after net buying 13,875 contracts. However, T-Notes last week saw its Non-Commercial & Non-Reportable traders buying 9,878 contracts and they were net short only 7,933 contracts. Economic data of importance showed disappointing readings with New Zealand visitor arrivals remaining significantly below year ago levels, Japanese large manufacturing readings not as bad as feared but still contractionary and house prices in China in November gaining less than in the prior month.

CURRENCIES:

In retrospect, the dollar failed to rally as would be expected given a series of weaker than expected US scheduled data and more importantly, the inability to rally despite unrelenting record infection counts. A US stimulus package was growing less likely by the day. On the other hand, the Swiss franc and euro have certainly become aggressively overbought on short-term technical measures and last week's sideways action in the dollar probably allowed those markets to balance. While the US dollar has not forged a new contract low early this week, it would appear as if the charts in the fundamental storyline set the stage for a contract low in the coming sessions.

ADM
ADM Investor Services, Inc.

WEEKLY MARKET SUMMARY

14 December, 2020

Obviously, the beginning of vaccinations, risk on psychology, renewed hope for a US stimulus package and even hope for a last-minute exit deal presented to the trade early today. While the dollar index futures were net spec short as of early last week and have probably added to that short that positioning, that should not stand in the way of more declines this week. Dollar positioning in the Commitments of Traders for the week ending December 8th showed Non-Commercial & Non-Reportable traders are net short 6,441 contracts after net selling 3,933 contracts.

While the global economic environment does not appear to be on a full recovery foundation, risk on sentiment is clearly in place to start the week and the euro would appear to be poised to make a fresh contract high breakout. Holding back the euro is news that EU industrial production in October contracted by 3.8% relative to year ago levels but that news was more than offset by a month over month again of 2.1% which in turn was above expectations! Euro positioning in the Commitments of Traders for the week ending December 8th showed Non-Commercial & Non-Reportable traders were net long 216,555 contracts after increasing their already long position by 18,146 contracts.

With an 8-day high early this week coming in the face of an avalanche of contractionary Japanese economic data, it would appear as if the Yen has transitioned from a flight to quality instrument into a risk on/recovery currency. From a longer-term perspective, the Yen remains somewhat cheap within the last 7-years trading range with the highs of that range 400 points above the current trade. Furthermore, the Yen is also 700 points below the 8-year highs! The Swiss franc has already established itself as the leadership currency market, with a fresh upside breakout this week signaling more gains ahead and the likelihood of a return to some of the highest levels in 9-years in the coming weeks. The next upside target in the Swiss from the monthly charts is 200 points above the early trade this week.

With the prior 2 week's hard-corrective dip combined with fresh hope of an Brexit deal and with broad-based global risk on sentiment, the March Pound looks poised to return to contract highs up at 1.3550. Apparently, the bull camp is unconcerned with the extremely poor track record of Brexit negotiators and the trade also appears to be unconcerned about a dire warning from UK manufacturers in the event a no deal Brexit becomes reality. The bull camp in the Canadian should be disappointed with the currency not forging noted gains in the face of developing weakness in the dollar and in the face of big picture broad-based risk on psychology. However, Canadian vaccines are in country and vaccinations are expected to begin possibly this week. In retrospect, the currency should derive support from last week's 3rd quarter Canadian industrial capacity gain.

STOCKS:

The stock market clearly turned down last week and we feel that action is justified by growing evidence that the US recovery is losing pace. Adding into the disappointment among investors is the fact that Congress did not do their jobs and provide a stimulus package when it was needed. Certainly, progression toward vaccinations is underpinning prices but the duration between the beginning of vaccinations and real-life benefits could be measured in months. While the markets have recently been led to higher by gains in the NASDAQ/stay-at-home stocks, we do not believe that capacity exists in the near term.

Global equity markets at the start of this week were all higher with gains ranging from 0.5% to as high as 0.9%. In addition to optimism flowing from the beginning of US vaccinations, the market is also being presented with signs of very strong US holiday related commerce. In a potential additive risk-on influence, another vaccine is expected to be rolled out this week with projections it could provide 25 million doses before the end of the year. It is also possible that the bull camp will attempt to play up the potential for an agreement on a stimulus package and even hope for action from the Fed at midweek.

All things considered, the bull camp seems to be embracing a number of bullish issues to start the trading week and the S&P has reversed last week's washout with a very distinct 3-day high in the early going. However, the question for the S&P bull camp is the amount of spillover lift expected from stay-at-home stocks in the NASDAQ. In fact, with US daily infection counts still running above 200,000 that would appear to assure restricted activity at least through the upcoming holiday.

On the other hand, last week's corrective action combined with a moderately large net spec and fund short should provide a combination of short covering buying and fresh speculative buying. E-Mini S&P positioning in the Commitments of Traders for the week ending December 8th showed Non-Commercial & Non-Reportable traders were net short 88,978 contracts after increasing their already short position by 26,795 contracts.

It appears as if the Dow futures will post a new all-time high before the NYSE opening on Monday. As in other market measures, residual optimism from the beginning of US vaccinations of the Pfizer vaccine looks to combine with short covering and holiday sales optimism for a moderate extension above the 30,000 level in the days ahead.. Dow Jones $5 positioning in the Commitments of Traders for the week ending December 8th showed Non-Commercial & Non-Reportable traders added 692 contracts to their already short position and are now net short 10,632.

As indicated already, the holiday season has generated record tree and decorations sales and electronic shopping is surging and that is a powerful combination for the NASDAQ. In retrospect, the NASDAQ is likely sitting in a more powerful technical position after last week's aggressive break and we see a return to contract highs in the coming sessions. The December 8th Commitments of Traders report showed Nasdaq Mini Non-Commercial & Non-Reportable traders went from a net short to a net long position of 19,107 contracts after net buying 31,686 contracts.

ADM Investor Services, Inc.

WEEKLY MARKET SUMMARY

14 December, 2020

GOLD, SILVER & PLATINUM:
With gold closing lower in Hong Kong and Shanghai and futures in the US starting off under moderate pressure, the path of least resistance is pointing down to start the new trading week. Clearly higher equities and strength in most physical commodities points to a risk on session, thereby putting gold and silver in a liquidation track. In fact, action this morning is clearly respecting flight to quality lines with treasuries, gold, and the dollar all under early pressure because of what is likely residual optimism from the beginning of vaccinations. Furthermore, it would appear as if Moderna is poised to get authorization of its vaccine and has indicated it will have 25 million doses available before the end of this year. In another indirect negative for gold and silver prices, China has indicated they may begin to quell rallies in coal and iron ore futures as that could keep at least one type inflation spark in check. Not surprisingly, gold and silver ETF's saw further liquidations on Friday, with gold ETF's reducing their holdings by 62,492 ounces last week. On the other hand, silver ETF's managed to increase their holdings last week by 1.5 million ounces.

Some market participants are hopeful that a fresh US stimulus relief bill presented today will result in some agreement and while the markets have been hoping for an agreement for months and have been disappointed there clearly remains some expectation of a deal and a deal would certainly increase the potential for a gold trade back down to $1,800. While the dollar index halted its downward track with 7 days of sideways consolidation last week, the early action this week points to a retest of contract lows and that could help gold and silver stand up against bearish fundamental and technical signals. From a technical perspective, the charts favor the bear camp with the market unable to take out downtrend channel resistance and the 50-day moving average ($1,884.30) last week and without regaining that level the bias is down. While the net spec and fund long in gold increased last week, the washout after the report was compiled should bring down the spec long which is likely within 20,000 net longs of the lowest of the year. The action in the silver market last week was also disappointing for the bulls, especially relative to the action in the gold market.

In fact, the silver market showed almost no bullish reaction at the end of last week to the vaccine news and was content to waffle around both sides of the 50-day moving average which could be key resistance early this week. It should also be noted that the net spec and fund long in silver is more burdensome than in the gold market and to fully balanced the positioning might require a breakout below the last key low of $23.63. The Commitments of Traders report for the week ending December 8th showed Gold Managed Money traders were net long 126,737 contracts after increasing their already long position by 19,084 contracts. Non-Commercial & Non-Reportable traders added 11,372 contracts to their already long position and are now net long 286,690. The Commitments of Traders report for the week ending December 8th showed Silver Managed Money traders are net long 43,667 contracts after net buying 194 contracts.

Non-Commercial & Non-Reportable traders are net long 69,003 contracts after net buying 5,004 contracts.

After seeing a number of bullish long-term fundamental demand headlines over the last month, the palladium market has shown the inability to hold gains and has been unable to track higher with platinum. Obviously, the talk of rotation from expensive palladium to cheaper platinum, combined with the potential for long platinum/short palladium spread trading, leaves thick resistance hanging over the palladium contract. In fact, resistance at the 50-day moving average to start the week is $2,367.20 and the likely bottom of the trading range this week is seen down at $2,261.60. The December 8th Commitments of Traders report showed Palladium Managed Money traders net sold 598 contracts and are now net long 3,206 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 695 contracts to a net long 3,204 contracts.

While the platinum market came under early pressure last week, it ultimately respected support at $1,000. However, it is possible the market will need some form of major "risk on" vibe flowing from equities to embrace the possibility of a surge/recovery in non-Chinese platinum demand. So far, the World Platinum Investment Council has not confirmed the rotation from palladium to platinum in various industrial products, but it would appear as if demand for platinum in the manufacture of electronics with glass screens was seen from the surge in home offices. As of last week, platinum ETF holdings were up 13% on the year and that reading deserves to be monitored Platinum positioning in the Commitments of Traders for the week ending December 8th showed Managed Money traders net bought 2,267 contracts and are now net long 16,655 contracts. Non-Commercial & Non-Reportable traders are net long 33,613 contracts after net buying 4,810 contracts.

COPPER:

Extensive volatility is expected to continue in copper with big picture macroeconomic issues at key junctions outside of China and China showing signs of moving to quell aggressive price gains in some industrial commodity prices. However, copper should see support from the risk on start to the trading week, from a slight improvement in hopes for an Brexit deal and from news that wage talks at a BHP mine in Chile failed to get a deal in the first round of negotiations. Furthermore, nickel prices continue to rise sharply, and the start of vaccinations certainly helps to improve non-Chinese copper demand prospects. Chinese demand news has continued to surface in various forms with the latest form a decline in weekly Shanghai copper warehouse stocks at the end of last week. In fact, Shanghai copper warehouse stocks are now at the lowest levels in 6 years.

Unfortunately for the bull camp, Chinese house prices failed to rise as much as was expected, but that news was offset by evidence that Chinese freight rates have reached record levels indicating their export trade is beginning to accelerate again. Unfortunately for the bull camp, the net spec and fund long in copper posted another new record as of last Tuesday and since then prices rallied a further $0.17 into the high Friday. In short, the market is dramatically overbought and primed for massive volatility. The Commitments of Traders report for the week ending December 8th showed Copper Managed Money traders added 4,694 contracts to their already long position and are now net long 90,434. Copper Non-Commercial & Non-Reportable traders hit a new extreme long of 86,712 contracts. Non-Commercial & Non-Reportable traders added 1,812 contracts to their already long position and are now net long 86,712.

ENERGY COMPLEX:

In retrospect, the corrective action following last week's spike high has probably improved the bull's case to start the new trading week. Obviously, a global risk on psychology is providing lift to energy and commodity prices to start the new trading week with most headlines trumpeting the potential for improved energy demand from vaccination optimism. Another bullish catalyst was the reports of a potential terrorist attack on a Saudi tanker as that extends a developing pattern of threats against supply in the region. Other bullish forces are the latest weekly floating storage report which posted a decline of 11%, news that Asian-Pacific floating storage fell 22% (the lowest level since April), an upside breakout in WTI spreads and lastly increased bullish positioning in Brent spreads!

Apparently recent bearish supply-side news is being discounted with more supply due to hit the world market within 3 weeks. In fact, last week EIA weekly crude oil stocks returned to a massive year-over-year surplus of 55.3 million barrels and last week's Baker Hughes oil rig count saw 12 additional rigs come into operation with that count the highest since the week of May 15th. It should also be noted that Canadian oil rigs operating jumped by 12 and are now at the highest level since the middle of March. Going forward, prices appear to be removing another layer of demand destruction fear off the idea that the virus has entered the beginning of the end. Crude Oil positioning in the Commitments of Traders for the week ending December 8th showed Managed Money traders are net long 329,321 contracts after net selling 1,584 contracts. Non-Commercial & Non-Reportable traders were net long 581,895 contracts after decreasing their long position by 5,660 contracts.

The gasoline market is obviously lagging-behind the crude oil market in the early going this week, but we still see the path of least resistance pointing up, as big picture macroeconomic sentiment is positive, crude action should provide lift and given signs of improved Asian fuel demand. Certainly, the gasoline market was significantly short-term overbought from last week's compacted low to high rally of $0.09 and that could be behind the restricted gains early today. While there have been some signs that global activity is picking up, the US remains in lockdown with almost no hope of less travel restrictions in large states like California and Ohio where the infection rates continued to explode.

ADM Investor Services, Inc.

WEEKLY MARKET SUMMARY

14 December, 2020

Furthermore, there continues to be reports of European gas supply moving toward the US and weekly implied gasoline demand fell to the lowest level since the end of May last week! Fortunately for the bull camp, the US refinery operating rate still has more than 20% idled and the year-over-year gasoline surplus remains relatively modest at 3 million barrels. Pushed into the market, we think the risk of getting long at current levels is too high. The Commitments of Traders report for the week ending December 8th showed Gas (RBOB) Managed Money traders are net long 52,891 contracts after net buying 5,587 contracts. Non-Commercial & Non-Reportable traders were net long 72,565 contracts after increasing their already long position by 4,220 contracts.

While the ULSD is short-term technically overbought, US TSA checkpoint numbers remain very anemic and heating demand for the US is expected to remain below normal in the coming week, the market is being lifted by crude and RBOB early this week. In other words, big picture risk-on sentiment and a wave of hope that the end of the pandemic is starting to materialize, gives the bull camp an edge. Heating Oil positioning in the Commitments of Traders for the week ending December 8th showed Managed Money traders added 1,397 contracts to their already long position and are now net long 10,764. Non-Commercial & Non-Reportable traders were net long 37,402 contracts after increasing their already long position by 4,004 contracts.

With the gap up, range up highest trade since December 3rd in the early going this week, it-would-appear that the gas market is putting aside a very long list of bearish fundamental issues. However, some traders are touting a colder shift in US weather and UK gas prices are also strong today because of cold weather. On the other hand, many weather forecasts still project very mild temperatures through the middle of the month and into the holiday and storage into the heating season is anything but tight. Furthermore, last week's Baker Hughes gas rigs operating increased by 4 to reach the highest level since May 22nd while Canadian gas rigs declined by 3 to stand at 59.

The Commitments of Traders report for the week ending December 8th showed Natural Gas Managed Money traders are net long 32,410 contracts after net selling 47,026 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 28,683 contracts to a net long 37,722 contracts. While the short-term trend might be pointing up, there would not appear to be enough bullish fundamental evidence to suggest anything more than a short covering bounce is underway. Certainly, US export numbers are climbing, the Chinese winter might escalate their purchases and there could be an improvement in non-Chinese gas demand in the event the US infection surge begins to taper and there is evidence that funds are moving into natural gas off the idea they are historically undervalued.

BEANS:

It will not take much in the way of a weather issue in South America to spark an increase in buying. January soybeans closed moderately higher on the session Friday and this left the market with a loss of just 2 1/2 cents for the week. Traders see the weather in South America as slightly supportive as Brazil continues to see decent rain, but Argentina looks warm and dry over the near term. Exporters announced a sale of 130,000 tonnes of US meal was sold to Philippines. In the USDA report last week, world meal consumption was pegged at 251.05 million tonnes, up from 240.8 million last year and 230.1 million 2 years ago. Argentine production was revised down and Argentina exports were revised down by 800,000 tonnes.

World soybean ending stocks are projected to come in at just 85.64 million tonnes which is down from 95.46 million last year and 112.7 million tonnes two years ago. While cumulative soybean export sales are running sharply ahead of the pace to reach the USDA projection, the USDA left exports unchanged in the supply/demand report, and this opens the door for tightening ending stocks in the January report. US soybean export sales for 2020/21 have reached 88% of the USDA's forecast for the marketing year versus a 5-year average of 63%. The current ending stocks estimate is the lowest since 2013/14, when they fell to 92 million bushels.

The stocks/usage ratio has fallen to 3.9% from 4.2% last month, the lowest since 2013/14's 2.6%. Last year's ratio was 13.2%, and the year before that it was 22.9%. With the strong export sales pace, we expect to eventually see the US export forecast revised higher by 100 million bushels, which would push US ending stocks down to just 75 million bushels. This would result in a stocks/usage ratio of 1.7%. This still assumes that Brazil and Argentina production numbers reach the current USDA forecasts.

If drought conditions persist and South American production is lowered, world stocks will tighten considerably. The Commitments of Traders report for the week ending December 8th showed Soybeans managed money traders are net long 185,655 contracts after net selling 9,028 contracts for the week which is long liquidation. For soyoil, managed money traders reduced their net long position by 15,652 contracts for the week to a net long 89,063 contracts. For meal, managed money traders are net long 62,642 contracts after net selling 7,744 contracts for the week.

CORN:

US corn export sales for 2020/21 have reached 67% of the USDA's forecast for the marketing year versus a 5-year average of 44% at this point in the season. Like the soybean market, the trade may have been disappointed that the USDA did not revise their 2020/21 export estimate. March corn closed higher on the session Friday and this left the market with a gain of 3 cents on the week. The USDA report was disappointing to the bulls as the USDA failed to change exports in spite of a very fast pace for the season to date. The South America weather is a mixed bag with dryness and Argentina and some more normal rainfall for the key Brazilian growing areas. Unless China cancels US corn imports, the USDA is likely to increase exports and lower ending stocks in the January report. Any sign of poor weather in South America is likely to spark aggressive buying. World ending stocks were revised down to 288.96 million tonnes from 303.4 million last year, 319.8 million two years ago and 340.7 million for the 2017/18 season.

Brazil's tariff free ethanol import quota with United States will end today as talks between the two countries on opening up their ethanol and sugar markets have broken down. Tariffs on US ethanol imports into Brazil will go back to 20%. This is a short-term negative force. With the strong export sales pace for corn, we look for the US export forecast to be revised higher by 250 million bushels in future reports, which would push US ending stocks down to just 1.452 billion bushels. This would result in a stocks/usage ratio of just 9.6%. This assumes that Brazil and Argentina production will reach the current USDA estimates. If the drought persists, South American production could come down, and world stocks could tighten considerably. The December 8th Commitments of Traders report showed managed money traders are net long 269,583 contracts after net selling 1,050 contracts for the week. Non-Commercial & Non-Reportable traders were net long 386,903 contracts after increasing their already long position by 239 contracts.

WHEAT:
The technical action is positive and March wheat is up as much as 54 3/4 cents from Tuesday's low. Russia officials last week were considering imposing a wheat export tax of about 2,000 Rubles per tonne (near $27.30) for February 15 through June 30. This is just one of the measures which they may use to stabilize domestic prices and traders see these moves as a way to slow exports onto the world market. On Sunday, Russia's economy ministry submitted a proposal to the government to impose a wheat export tax of 25 Euros ($30.30) for the February 15-June 30 timeframe, according to Reuters. After the three days surge higher, traders might expect some "buy the rumor, sell the fact" type selling. March wheat closed 18 cents higher on the session Friday, and the buying has pushed the market up to the highest level since November 25. The market continues to find support from concerns that Russia will put a significant tax on exports which will tighten available exportable surplus on the world market.

While the news might be considered somewhat supportive, keep in mind that world ending stocks are expected to reach a record high 316.5 million tons, up from 300.62 million last year and 284.1 million two years ago. In the USDA report, Australia production was revised higher and so was Canada and Russia. Ending stocks for major exporters are now pegged at 36.5 million tons from 33.7 million last year and 38.5 million two years ago. Wheat positioning in the Commitments of Traders for the week ending December 8th showed managed money traders are net short 5,692 contracts after net selling 1,295 contracts. CIT traders net sold 1,682 contracts and are now net long 135,285 contracts. For KC Wheat, managed money traders net bought 268 contracts and are now net long 44,774 contracts. Non-Commercial & Non-Reportable traders were net long 47,522 contracts after increasing their already long position by 72 contracts.

ADM Investor Services, Inc.

WEEKLY MARKET SUMMARY

14 December, 2020

HOGS:

The technical action is weak and the short-term demand outlook remains questionable while the supply looks more than adequate for the current set-up. However, if exports slow, the market appears poised for further weakness. February hogs closed sharply lower on the session Friday and this pulled the market to a discount to the cash market. The CME Lean Hog Index as of December 9 was 65.61 down from 65.66 the previous session and down from 66.55 the previous week. The market found some early support after strength in the ham market and in pork cutout values last week, and traders are nervous that the ham market will seasonally peaked out soon. If so, and if China imports of US pork also decline into 2021, the market looks vulnerable to a resumption of the downtrend.

The USDA pork cutout, released after the close Friday, came in at $78.63, up $1.05 from $77.58 on Thursday and $76.64 the previous week. The USDA estimated hog slaughter came in at 490,000 head Friday and 314,000 head for Saturday. This brought the total for last week to 2.776 million head, down from 2.777 million the previous week but up from 2.772 million a year ago. Pork production for the week was up 1.9% from last year. Friday's Commitments of Traders report showed managed money traders were net sellers of 4,775 contracts of lean hogs for the week ending December 8, reducing their net long to 33,584 which is a long liquidation selling trend. Non-commercial & non-reportable traders combined were net sellers of 5,012, reducing their net long to 34,983. China's national average spot pig price today was up 2.39% from Friday.

CATTLE:

February cattle closed sharply higher on the session Friday and the buying pushed the market up to the highest level since December 2. This was the third higher close in a row. Beef prices were sharply lower on the week and cash markets are lower for the second week in a row. The USDA boxed beef cutout was down $1.02 at mid-session Friday and closed 71 cents lower at $213.88. This was down from $235.02 the previous week and was the lowest the cutout had been since November 5. The weak beef prices opens the door for a further break in the cash cattle market this week. Open interest is on the rise and reached the highest level since October 8. The USDA estimated cattle slaughter came in at 118,000 head Friday and 73,000 head for Saturday. This brought the total for last week to 665,000 head, down from 667,000 the previous week and down from 666,000 a year ago. Beef production for the week is up 2% from a year ago.

Cash live cattle traded in light volume on Friday at the low end of last week's range, which was down $2-$4 from the previous week. In Kansas 221 head traded at 106, down from an average price of $110.01 the previous week. In Nebraska 200 head traded at 105 versus an average price of 109.88 the previous week. As of Friday afternoon, the 5-day, 5-area weighted average price was $106.77, down from $109.91 the previous week. Friday's Commitments of Traders report showed managed money traders were net sellers of 1,591 contracts for the week ending

December 8, reducing their net long to 38,222. Non-commercial & non-reportable traders combined were net sellers of 419, reducing their net long to 51,717.

COCOA:

While cocoa has lifted clear of last Thursday's 3 1/2 week low, it will deal with near-term demand concerns and will react to the ebb and flow of Brexit negotiations. The longer-term demand outlook should improve by the middle of next year while there are fresh bullish supply developments, however, so cocoa is likely to be fairly well supported on any near-term pullbacks. March cocoa followed through on Thursday's positive reversal as it built on early strength and finished Friday's trading session with a sizable gain. For the week, however, March cocoa finished with a loss of 32 points (down 1.2%) which was a second weekly loss in a row.

COVID-19 vaccine progress in the UK and US have boosted prospects for global demand improvement, and that provided significant underlying support to the cocoa market going into the weekend. Reports that Germany may shift back into a "harder lockdown" could indicate that other Euro zone nations may institute fresh restrictions as well, and that would negatively impact European chocolate demand through the end of the year. While negotiations continue to run through additional deadlines, the increasing chances of a "no-deal" Brexit leave the British Pound vulnerable to a sizable pullback that in turn would become a source of pressure on cocoa prices.

Output from Ivory Coast and Ghana this season has been running behind last season's pace, and that became source of strength to cocoa prices during Thursday and Friday's sessions. There is daily rainfall in the forecast for many West African growing areas through late this week, but then the regions shift back into dry conditions while high temperatures will come in above 90 degrees Fahrenheit over this timeframe. Although a La Nina weather event normally brings wetter than normal conditions to West Africa, this event coincides with their dry season so many cocoa trees will be unable to benefit.

Cocoa positioning in the Commitments of Traders for the week ending December 8th showed Managed Money traders are net long 34,020 contracts after net selling 2,051 contracts. CIT traders net bought 6,438 contracts and are now net long 46,591 contracts. Non-Commercial No CIT traders reduced their net long position by 6,957 contracts to a net long 12,790 contracts. Non-Commercial & Non-Reportable traders were net long 44,502 contracts after decreasing their long position by 1,881 contracts.

COFFEE:

The coffee market has been able to overcome negative outside markets and near-term demand concerns to climb back towards the upper portion of its November/December consolidation zone. With a stronger demand outlook for next year and a bullish 2021/22 supply outlook, coffee can extend its recovery move up to 3-month highs early this week. March coffee had a bumpy finish to the week, but were able to extend their recovery move by finishing Friday's trading session with a moderate gain. For the week, March coffee finished with a gain of 4.05 cents (up 3.4%) which was a fifth positive weekly result over the past 6 weeks.

An end-of-week pullback in the Brazilian currency put pressure on coffee prices as it encourages Brazil's farmers to more aggressively sell their coffee to foreign customers. Keep in mind that the Brazilian Real will start this week close to last Thursday's 6-month high, so an early rally in that currency could provide underlying support to coffee prices. Brazil's main Arabica growing areas are expected to receive daily rainfall through late next week. However, drier than normal conditions for long period of this year and a La Nina weather event through the first quarter of 2021 will both have a negative impact on their upcoming 2021/22 "off-year" crop. In fact, Ecom Trading forecast Brazil's 2021/22 coffee production will come in 34% below this season's near-record output levels.

Vietnam's harvest is running 2 to 3 weeks behind a normal pace, and combined with a shortage of shipping containers has led to a drop in their exports. ICE exchange coffee stocks (most of which are held in Euro zone warehouses) rose by 9,819 bags on Friday and are over 79,000 above their November month-end total. With only one daily decline during December, this may reflect softer European demand prospects for the rest of this year. The December 8th Commitments of Traders report showed Coffee Managed Money traders net sold 597 contracts and are now net long 14,404 contracts. CIT traders reduced their net long position by 974 contracts to a net long 60,272 contracts. Non-Commercial No CIT traders are net long 15,174 contracts after net selling 1,030 contracts. Non-Commercial & Non-Reportable traders were net long 41,228 contracts after decreasing their long position by 548 contracts.

COTTON:

The USDA report showed a surprisingly large drop in US production and ending stocks. On top of that, the weekly export sales report came in stronger than expected. The beginning of vaccinations against Covid-19 also offers hope of a renewal in cotton demand. Friday's Commitments of Traders report showed managed money traders were net sellers of 1,684 contracts of cotton for the week ending December 8, reducing their net long to 58,776 contracts. Non-commercial & non-reportable traders combines were net sellers of 3,244, reducing their net long to 81,840.

CIT traders were net sellers of 5,642 contracts, reducing their net long to 73,642. After the sharp rally on Thursday, we would surmise that these groups bought back what they had sold the through Tuesday and then some. ICE warehouse stocks totaled 86,544 bales on December 10, unchanged from the previous session. The tightening US and world ending stocks, the strong US export pace, and a trend higher in world consumption levels are positive.

ADM Investor Services, Inc.

WEEKLY MARKET SUMMARY

14 December, 2020

SUGAR:
While their crushing has slowed down dramatically as many mills shut down their operations for the season, Brazil's Center-South sugar production this season was more than 11.5 million tonnes ahead of last season's pace. Most of that increase will be heading out into the global export marketplace and offset supply issues with several producing nations, and that is likely to keep sugar on the defensive early this week. March sugar followed through on Thursday's negative reversal as it was under pressure for most of the day before finishing Friday's trading session with a moderate loss. For the week, March sugar finished with a loss of just 1 tick, but that resulted in a third negative weekly result in a row and a negative weekly reversal from last Thursday's 2-week high.

There were reports that officials from India's Food Ministry and Finance Ministry were meeting to discuss an sugar export subsidy for this season, and that was a notable source of pressure as it could to much larger Indian sugar exports this season. There were indications that India's government target for 2020/21 sugar exports will be 6 million tonnes which would be a record high total, and their mills have plenty of incentive to sell a sizable amount of sugar stocks to foreign customers. A pullback in the Brazilian currency also weighed on sugar prices as that gives more incentive for Brazil's Center-South mills to produce more sugar for the global export marketplace. Those mills dialed back sugar's share of crushing below 36% in the latest Unica report, which compares with an overall 46% share over the first 8 months of the 2020/21 season.

Keep in mind that Center-South domestic ethanol sales during November were 8.2% below last year's total, which indicates that their ethanol demand remains subdued going into 2021 which could lead to more sugar output The December 8th Commitments of Traders report showed Sugar Managed Money traders are net long 215,239 contracts after net selling 14,125 contracts. CIT traders reduced their net long position by 765 contracts to a net long 277,186 contracts. Non-Commercial No CIT traders are net long 164,705 contracts after net selling 11,625 contracts. Non-Commercial & Non-Reportable traders were net long 312,499 contracts after decreasing their long position by 8,610 contracts.

Please contact us at 1.877.690.7303 or via email at sales@admis.com for any questions or comments on this report or would like more information about ADMIS research.

ADM Investor Services, Inc.

WEEKLY MARKET SUMMARY

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