ADM Investor Services, Inc.

WEEKLY MARKET SUMMARY

1 February, 2021

For the Week of February 1, 2021

BONDS:

In retrospect, the bull camp in treasuries should have exited last week extremely discouraged in the market's failure to sustain gains in what appears to be a noted letdown in optimism from global equities. However the markets were likely limited by better than expected US initial and ongoing claims data and perhaps because of signs of emerging inflation in the form of surging grain prices, silver prices and energy prices. Wild action in silver prices, strong energy prices, and soaring grain prices seem to be escalating inflationary expectations in the marketplace, but so far, we doubt Treasury prices are concerned with inflation, but that is certainly a prospect if material prices soar as they did in China.

While it would appear as if inflation prospects are escalating, we think putting inflation on a sustainable path will require widely held beliefs that the beginning of the end of the pandemic is now at hand. Therefore, the focus of the trade is likely to intensify on the daily infection counts which continue to fall with the January 31st reading returning to the lowest level since November 9th. At least in the early trade this week, the focus is likely to be on the amount of strength in equity prices, as economic sentiment was clearly undermined last week by sharply declining equities. However, expectations for US scheduled data early this week call for little change from the prior month which should provide a modest amount of support on the charts.

While overall global sovereign debt supply has not been a focal point of the treasury trade, reports of record issuance of 48.8 billion Euros worth of funding creates the potential for yield competition once real rates began to crawl higher. Fortunately for the bull camp, the record euro zone issuance was matched with record demand for those instruments and it would appear as if the latest US stimulus package offer is significantly below the previously targeted $1.9 trillion price tag. Bonds positioning in the Commitments of Traders for the week ending January 26th showed Non-Commercial & Non-Reportable traders reduced their net short position by 5,705 contracts to a net short 205,098 contracts. In the T-Notes market Non-Commercial & Non-Reportable traders were net short 32,481 contracts after decreasing their short position by 51,500 contracts.

CURRENCIES:

While the British pound and Canadian dollar saw significant volatility last week, the action in the euro and dollar was surprisingly narrow. In our opinion, trends from the March through early December timeframe are poised to return to the currency markets as better sentiment toward global growth prospects is likely to build in the coming weeks off declining infections and accelerating inoculations. Keep in mind that the Swiss franc, euro and pound appear to be driven by recovery hopes. We are a little surprised to see the Dollar in favor early this week in the face of a risk-on wave in equities and physical commodities.

In fact, the Dollar has forged the highest high since December 21st perhaps because of a slightly disappointing Chinese PMI result. However, it is also possible that the Dollar is garnering buying interest off the idea that the US pandemic might be set to come back under control. In other words, instead of flight to quality buying of the Dollar, perhaps the trade is buying the Dollar in expectation of a relief rally. The January 26th Commitments of Traders report showed Dollar Non-Commercial & Non-Reportable traders added 582 contracts to their already short position and are now net short 12,655.

Surprisingly generally favorable European PMI readings and a wave of global equity market gains have resulted in the Euro coming under pressure early this week. While the risk-on vibe might not be seen as sustainable, the lack of a rally in the Euro suggests some type of change in its recovery currency status. However, we do not expect the Euro to dive sharply with consolidation low support likely to hold up the currency. Euro positioning in the Commitments of Traders for the week ending January 26th showed Non-Commercial & Non-Reportable traders are net long 221,627 contracts after net buying 528 contracts.

With a fresh downside breakout in the Yen early this week, it would appear that the Yen is showing weakness in the face of risk-on and in the face of risk-off. In short, the bias is down with the next downside target pegged at 95.00. A Japanese Manufacturing PMI reading for January showed a slight improvement, but the reading remained below the growth/no growth level of 50.0. A huge range down failure in the Swiss franc early this week probably undermines a noted portion of the Swiss franc bull trade as the currency seems to be failing in the face of risk-on conditions. In other words, the bull theme of the Swiss being a "recovery currency" seems to be lost to start the new trading week

The Pound has remained within a uniform uptrend channel despite counterintuitive action in many Non-Dollar currencies. While we doubt favorable UK data is a major driving force for the currency rally this morning, we see the data adding to the bull's edge. While the Canadian has respected 78.00 support over the prior three trading sessions, we are not sure the fundamental picture is strong enough for the currency to throw off the last two week's corrective tilt.

STOCKS:
Many will suggest that the equity markets deserved some corrective action with overall macroeconomic conditions into the last high very uncertain due to the unrelenting surge of US infections. Furthermore, many investors were embracing fears that the South African mutation was resulting in faster spread of the virus. However the small trader/Reddit inspired battle with hedge funds created massive volatility in that in turn unnerved investors.

Global equity markets were all higher early this week with gains ranging from 0.3% to as high as 2.3%. Apparently global equities were unconcerned with a softer than expected Chinese manufacturing PMI reading for January overnight. While daily counts are subject to revision, one source pegs yesterday's infection count to be the lowest since November 9th with the seven-day average continuing to match early November readings. However, despite what appears to be a strong opening, we do not detect a wave of aggressive optimism capable of launching prices quickly into new high ground.

While the "all clear" has not been declared on the most serious infection wave of the US pandemic, it-would-appear that the numbers plateaued last week and will likely continue to fall this week. However, it is likely that investors will orchestrate some reserve unless there are positive reports regarding the distribution and application of vaccines. While a reversal could foil our favorite bottoming signal (large range down new low washout and recovery above the midpoint of the daily range) the early action this week suggests a bottom was achieved and that prices are likely to settle in above 3750.00. E-Mini S&P positioning in the Commitments of Traders for the week ending January 26th showed Non-Commercial & Non-Reportable traders net bought 4,271 contracts and are now net long 11,549 contracts.

The Dow has also rejected a significant initial washout and would appear to be poised to settle back in above the 30,000 level. However, it should be noted that the Index was net spec and fund short as of last Tuesday and then the index fell 1,300 points which should mean the market was moderately oversold! In other words, the market is moderately spec and fund short into this week's early action, and that could result in a very surprising wave of stop loss buying in-the-event that virus related headlines are positive. The Commitments of Traders report for the week ending January 26th showed Dow Jones $5 Non-Commercial & Non-Reportable traders net sold 2,957 contracts and are now net short 10,691 contracts.

The NASDAQ has also forged a very significant rejection of an early washout and has regained a key chart point of 13,000 in the early going this week. In fact, given the strength in the NASDAQ early this week, it would appear as if the Index is set to lead the markets higher, with initial resistance likely to be taken out. Nasdaq Mini positioning in the Commitments of Traders for the week ending January 26th showed Non-Commercial & Non-Reportable traders net bought 7,981 contracts and are now net long 36,102 contracts.

GOLD, SILVER & PLATINUM:

Shareholder activism has clearly increased interest in the Silver "Space" with silver futures, coins, bars, Silver I-Shares, and First Majestic Silver shares seeing a speculative buying surge. Apparently one thread on REDDIT's Wall Street Bets saw 10,000 votes for silver as a short squeeze candidate. Keeping in mind that silver trading globally and in many different forms should make it difficult for a concentrated wave of securities speculative buying to move the world price of silver. However, the silver bull case appears to be ignited and it is possible that money will begin to chase money! Total ETF silver holdings remain near record levels, with holdings as of January 29th at 905 million ounces.

On the other hand, investors reduced their holdings last Friday by 3.95 million ounces. Furthermore, last week total silver ETF holdings declined by 7.2 million ounces, but it is likely that significant gains Monday will spark a massive inflow once today's tally is known. Fortunately for the bull camp, the most recent spec and fund positioning report in silver produced a net spec and fund long of 74,000 contracts which is 30,000 contracts below the last 12-month high and 44,000 contracts below the all-time high. In short, silver retains buying capacity and in the event the markets fully embrace the idea that the US pandemic is beginning to end, we think silver prices could quickly spike above the August high of $30.36 and even higher if small investors push money toward iShares, Silver stocks, futures, coins, and bars.

In fact, we would not rule out a silver trade in the coming weeks of $36.00. The Commitments of Traders report for the week ending January 26th showed Silver Managed Money traders were net long 44,320 contracts after increasing their already long position by 2,825 contracts. Non-Commercial & Non-Reportable traders were net long 74,393 contracts after increasing their already long position by 2,700 contracts. We think April gold is locked within a range bound by $1,850 and $2,010 but is likely to temporarily retest levels below $1,848 early this week. Gold positioning in the Commitments of Traders for the week ending January 26th showed Managed Money traders added 10,720 contracts to their already long position and are now net long 115,716. Non-Commercial & Non-Reportable traders are net long 293,979 contracts after net buying 11,079 contracts.

We see the path of least resistance pointing up in April platinum and expect to see volatile hard-fought gains and/or significant upside gains with volatility ahead. In other words, if the markets were to begin to embrace the idea that US infections are indeed moderating and the beginning of the end of the pandemic is underway, we see April platinum spiking quickly to $1,500. However, it should be noted that platinum ETF holdings on Friday declined by a sharp 6,600 ounces and posted a net decline in holdings last week. On the other hand, we think investment flows into ETF's lag action in futures and are linked with the ebb and flow of overall economic sentiment. Therefore, we expect ETF's to see money flow back in this week and that could be stoked aggressively if a series of large flat price gains are forged early this week.

The Commitments of Traders report for the week ending January 26th showed Platinum Managed Money traders net bought 538 contracts and are now net long 20,942 contracts. Non-Commercial & Non-Reportable traders are net long 36,840 contracts after net buying 1,612 contracts. With a multi-week high Friday rejected aggressively and palladium showing divergence with platinum recently, we do not include palladium in the potential wave up category like silver or platinum. The January 26th Commitments of Traders report showed Palladium Managed Money traders reduced their net long position by 543 contracts to a net long 2,690 contracts. Non-Commercial & Non-Reportable traders were net long 2,474 contracts after decreasing their long position by 500 contracts.

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COPPER:
The copper market has started the week in a negative chart set up with disappointing Chinese January PMI data providing additional demand related selling. In fact, analysts labeled the official PMI reading from China as a report that gives credence to the idea that the Chinese recovery is waning! While not a significant impact on copper prices, iron ore prices softened in the wake of the disappointment from the Chinese manufacturing sector. In a slightly negative impact on copper, it appears as if the Indian government is poised to reduce its import duty on scrap copper which could increase competition for imports of refined copper supply in the months ahead.

However, global copper warehouse stocks continue to tighten and that should increase the market's capacity to respect the $3.50 support level until global demand sentiment improves again. The Commitments of Traders report for the week ending January 26th showed Copper Managed Money traders were net long 78,833 contracts after increasing their already long position by 460 contracts. Non-Commercial & Non-Reportable traders added 1,603 contracts to their already long position and are now net long 79,868.

ENERGY COMPLEX:
While the crude oil contract rejected a 6-day low at the start of this week, chart damage was forged and suspicion toward the bull case is extended. However, it would appear as if a global risk on mentality is in place to start the new trading week, and that should partially offset energy demand disappointment from the slack Chinese PMI reading. However, it should be noted that OPEC+ compliance is thought to be back near 100% again, African crude flows to Europe are falling and there are some weather disruptions hindering flows from Russian ports. Therefore, the race continues between the probable return of demand and rising production, with soaring prices from the March low last year resulting in US production regaining traction and demand recovery seemingly slipping into the future.

In fact, even though increased US drilling activity has a significant lead time before actual supply is seen, the duration of the rigs coming back online is now long enough that some production will begin to find its way to the market in the coming months. In January, US oil and gas drilling activity increased for the "6th" straight month and US production climbed back above 11 million barrels per day for the first time since the zenith of anxiety in April. However, with US EIA inventories last week posting a massive weekly decline of 9.9 million barrels narrowing the annual US surplus significantly, the bull camp might retain some resolve. On the other hand, the US refinery operating rate still has close to 18% of capacity idled and that highlights crude demand that is not showing improvement.

Fortunately for the bull camp, the last positioning report saw the specs reduce their net long back from the vicinity of the largest net spec and fund long since January of 2020. The

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Commitments of Traders report for the week ending January 26th showed Crude Oil Managed Money traders reduced their net long position by 12,219 contracts to a net long 342,701 contracts. Non-Commercial & Non-Reportable traders are net long 587,785 contracts after net selling 5,463 contracts. Going forward, the crude oil market appears to have lost upside momentum from technical and fundamental perspectives especially with last week presenting deteriorating macro-economic sentiment. However, in the event that US daily infections continue to decline, and hospitals also see declining numbers, $51.64 in March crude oil could be very credible support.

With the RBOB market on-fire last week that presents a significantly overbought technical condition to the trade this week. However, given the aggressive reversal of 8 cents from the Friday high into the early low this week, some of that overbought condition was balanced. While the trend of outside market news last week was bearish from a slow vaccine distribution pace and concerning weakness in equities, we get the sense those influences have shifted back in favor of the bull camp early this week. Fortunately for the bull camp, the US refinery operating rate declined last week and remains very low which in turns keeps the flow of products to the market restrained.

It should also be noted that the gasoline market has seen stock levels shift into an annual deficit which for the time being serves to cushion the market against stubbornly slow demand recovery. However, some recent alternative high frequency data shows increased vehicle travel but to turn demand into a force capable of lifting prices into an even higher range probably requires widespread relief from falling infection counts or news that vaccination distribution is rapidly improving. Obviously the RBOB market is significantly overbought in spec and fund positioning and the COT report this week likely understates the net long as the high Friday was 5 cents above the level where the figures were compiled.

Gas (RBOB) positioning in the Commitments of Traders for the week ending January 26th showed Managed Money traders were net long 85,593 contracts after increasing their already long position by 4,957 contracts. Non-Commercial & Non-Reportable traders added 5,868 contracts to their already long position and are now net long 99,994. The ULSD market also flared sharply higher on Friday and fell back sharply in a fashion that speaks of a temporary technical top. The Commitments of Traders report for the week ending January 26th showed Heating Oil Managed Money traders added 6,050 contracts to their already long position and are now net long 15,227. Non-Commercial & Non-Reportable traders net bought 3,528 contracts and are now net long 37,918 contracts.

The natural gas market bounced last week in a move that seems to have been partly the result of long-term international demand hopes and from a slight increase in heating demand. Unfortunately for the bull camp, last week's storage report posted the smallest draw since the beginning of the North American winter and the surplus versus the 5-year average jumped back up to +9.3%. It should be noted that the latest US temperature forecast expanded the below normal temp area to more than 3/4ths of the US out to February 14th, and that should help cushion the market against the negative chart action seen at the end of last week.

News that the Chinese government is investigating the failure of Chinese Environmental agencies to regulate power generation by coal, could rekindle some long-term export hope for US suppliers. The January 26th Commitments of Traders report showed Natural Gas Managed Money traders net bought 1,186 contracts and are now net long 60,573 contracts. Non-Commercial & Non-Reportable traders were net long 27,969 contracts after decreasing their long position by 5,624 contracts

BEANS:

With a shift to a dry pattern over the next week in Argentina and a continued dry pattern for eastern Argentina for next week, some stress could develop in areas which did not receive good rains recently. There is almost no rain for the next week for Argentina. Strong demand from China continues to provide underlying support, and tight supplies of vegetable oils has also supported. Traders are concerned that with near 8.5 million tonnes of Brazil soybeans scheduled to ship in February, a record for any month, that any transportation issues could impact.

Some associations representing independent truckers and logistics workers are calling for a strike to protest higher diesel prices starting today. In addition, rains have delayed harvest with harvest barely underway in many areas. Canadian canola stocks are already tightening with the next harvest still six months away and this has helped drive canola prices to near 13 year highs. March soybeans closed 16 3/4 cents higher on the session Friday and this left the market with a gain of 58 1/4 cents for the week. On the daily export wire, China was a noted buyer of 132,000 tonnes of US soybeans.

Aggressive buying from China for corn last week plus continued buying of US soybeans helped to spark a move from lower to higher on the session Friday. March soybean oil closed lower on the session after a rally to contract highs and the key reversal is seen as a bearish technical development. Soybeans positioning in the Commitments of Traders for the week ending January 26th showed managed money traders added 4,692 contracts to their already long position and are now net long 156,590. Non-Commercial & Non-Reportable traders reduced their net long position by 3,909 contracts to a net long 205,165 contracts.

For soyoil, managed money traders added 16,635 contracts to their already long position in just one week and are now net long 107,334. Non-Commercial No CIT traders were net long 75,407 contracts after increasing their already long position by 13,395 contracts. For soymeal, managed money traders are net long 74,590 contracts after net selling 3,041 contracts for the week. Non-Commercial & Non-Reportable traders are net long 122,408 contracts after net selling 8,499 contracts for the week.

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CORN:

With the recent inflationary tilt to commodity markets and the potential for a risk-on tone in the next few weeks, agricultural markets look poised for a resumption of their uptrends. If we continue to see support from outside markets, traders may want to concentrate on the agricultural markets that are facing global production deficits. It looks like the surge in demand from China will tighten US supplies even more and could result in significant global production deficits. The new contract high for the July/December corn spread is also supportive.

Aside from the strong demand from China, any problem with Brazil's second crop (which represents some 75% of their total production) or any damage to the Argentine crop would add to the bullish case. For now, it looks like Brazil's second crop will be planted late and will be susceptible to any hot and dry conditions that develop in February. The short-term forecast for Argentina looks slightly threatening. There is very little rain in the forecast for the this week for much of Argentina, and next week it looks like just areas of Western Argentina received decent rain amounts. Areas which do not receive rain for the next two weeks will likely see stress develop.

The rally in corn this past week was led by news on Friday of 2.108 million tonnes of US corn being sold to China, 1.7 million tonnes on Thursday, 680,000 on Wednesday and 1.36 million on Tuesday. This brought the reported total for the week to a whopping 5.848 million tonnes (230.2 million bushels). Cumulative US corn export sales have reached 75% of the USDA's forecast for the 2020/21 marketing year versus a 5-year average of 53%. If we were to adjust the annual forecast higher to put cumulative sales at the average pace, the export estimate would increase by 920 million bushels.

March corn closed 12 1/2 cents higher on the session Friday and managed to push to a new contract high. The market closed 46 1/2 cents higher for the week. Corn positioning in the Commitments of Traders for the week ending January 26th showed managed money traders net bought 14,734 contracts and are now net long 364,229 contracts. Non-Commercial & Non-Reportable traders are net long 504,063 contracts after net selling 16,701 contracts.

WHEAT:

The technical action remains positive as wheat follows the other grains higher. The market faces a large Australia harvest, but this has been offset by stronger-than-expected demand from China, the potential for lower Argentine exports and fewer exports from the Black Sea region due to export taxing. Russia is considering a formula based tax on the wheat it exports after June 1, a month earlier than expected just last week. Traders expect news on the formula based wheat export tax this week. Ukraine has used 74.3% of its 17.5 million tonnes of wheat export quota for the 20/21 season, according to the economy ministry. As of February 1, Ukraine exports totaled 13 million tonnes, down almost 2.9 million from the same date last year. The 6 to 10 day forecast for the US Plains shows above normal precipitation but also below normal temperatures. March wheat closed 16 cents higher on the session Friday and this left the market with a gain of 28 1/2 cents for the week.

Outside market forces carried a bearish tilt, but strength in the other grains helped to support aggressive buying. Strength in corn has helped improve demand for wheat in China, and will also cause a battle for acres into the spring as spring wheat producers will be tempted to shift acreage to soybeans or corn. The January 26th Commitments of Traders report showed managed money traders are net long 21,275 contracts after net buying 657 contracts. CIT traders were net long 139,900 contracts after increasing their already long position by 3,047 contracts. Non-Commercial & Non-Reportable traders net sold 2,421 contracts and are now net long 27,869 contracts. For KC wheat, managed money traders are net long 60,239 contracts after net buying 2,146 contracts. Non-Commercial & Non-Reportable traders net sold 1,748 contracts and are now net long 57,613 contracts.

HOGS:

June hogs remain under the negative technical influence of the January 27 key reversal. The market is overbought and in need of a technical correction but the continued strong advance in pork cut-out values remains as a bullish force and has kept the market in a solid uptrend. Futures also hold a stiff premium to the cash market. The USDA pork cutout, released after the close Friday, came in at $83.70, up $1.85 from Thursday and up from $81.34 the previous week. This was the highest the cutout had been since November 9. As long as the export demand remains strong, the pork rally can hold. However, if China demand slows as their herd expands, the US will be forced to absorb extra supply. April hogs closed moderately higher on the session Friday and in the middle of the range. The market is attempting to hold a large premium to the cash market with expectations that pork values and cash hogs continue to rally sharply in the weeks just ahead. Solid export news last week plus continued talk that restaurants are reopening has helped to support.

The USDA estimated hog slaughter came in at 487,000 head Friday and 249,000 head for Saturday. This brought the total for last week to 2.658 million head, down from 2.738 million the previous week and down 1.4% for the week while beef production was 587.1 million pounds, up 1% from last year. The CME Lean Hog Index as of January 27 was 66.29, down from 66.95 the previous session but up from 65.40 the previous week. Friday's Commitments of Traders report showed managed money traders were net buyers of 7,069 contracts of lean hogs for the week ending January 26, increasing their net long to 43,147. Non-commercial, no CIT traders were net buyers of 6,835 contracts, increasing their net long to 14,277. Non-commercial & non-reportable traders were net buyers of 8,887, increasing their net long to 40,673. China's national average spot pig price as of February 01 was down 1.43% from the previous day. For the month, pig prices are down 7.61% and down 10.04% versus a year ago.

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CATTLE:

The sweeping reversal after hitting the highest level since January of last year leaves the appearance that a significant top is in place for cattle prices. The market took out the range from the previous four trading sessions and the selling pushed the market down to the lowest level since January 22. Open interest is high and technical indicators turned lower on Friday. While cash markets traded higher last week, futures remain at a stiff premium to the cash. The continued strong advance in beef prices with talk of strong consumer demand due to more and more restaurants reopening has helped to support.

The USDA estimated cattle slaughter came in at 120,000 head Friday and 62,000 head for Saturday. This brought the total for last week to 653,000 head, down from 657,000 the previous week but up 2.4% for the week while beef production was 550.1 million pounds, up 4.6% from last year. The USDA boxed beef cutout was up $1.91 at mid-session Friday and closed $1.96 higher at $233.95. This was up from $222.82 the previous week and was the highest the cutout had been since December 4.

Cash live cattle moved higher last week. On Friday 1,954 head were reported in Kansas at 112-113 with an average price of 112.98, up from an average of 110.02 the previous week. In Nebraska, 6,018 were reported at 110-113 with an average price of 112.68, up from an average of 109.35 the previous week. In Texas/Oklahoma 2,768 traded at 113, up from an average of 110.46 the previous week. Friday's Commitments of Traders report showed managed money traders were net buyers of 25,576 contracts of live cattle for the week ending January 26, increasing their net long to 71,803. Non-commercial & non-reportable traders were net buyers of 26,310, increasing their net long to 78,844.

COCOA:

While cocoa has been unable to sustain a sizable upside move since late November, the market continues to hold its ground above the December and January lows in spite of significant near-term demand issues. Longer-term demand prospects are much more positive, and that can help cocoa prices extend a recovery move into early this week. May cocoa was able to shake off early pressure and finish Friday’s trading session with a moderate gain. For the week, May cocoa finished with a loss of 12 points which broke a 2-week winning streak.

Near-term demand concerns were given added fuel by a sharp selloff in global equity markets that in turn put carryover pressure on the cocoa market. While several regions are loosening their COVID restrictions, a German ban on travelers from several European nations indicates that shutdown measures in the region will likely remain in place during the first quarter. The International Cocoa Organization said that European cocoa stocks fell by 1.5% during the 2019/20 season, a large portion of which Europe was dealing with COVID inflections and restrictions.

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Cocoa's longer-term demand outlook should improve as COVID vaccines receive widespread use, and that helped cocoa to regain upside momentum going into the weekend. Better than expected quarterly earnings from Mondelez and positive forward guidance from Barry Callebaut provided further evidence of stronger cocoa demand prospects. Outside of light rainfall expected on Friday, the forecast for West African cocoa-growing areas has dry conditions with daily high temperatures at or above 95 degrees Fahrenheit. While soil moisture levels may be adequate, those conditions are likely to have a negative impact on West Africa's late main crop and early mid-crop cocoa production.

The January 26th Commitments of Traders report showed Cocoa Managed Money traders are net long 21,442 contracts after net selling 5,175 contracts. CIT traders added 387 contracts to their already long position and are now net long 49,703. Non-Commercial No CIT traders reduced their net long position by 3,712 contracts to a net long 10,378 contracts. Non-Commercial & Non-Reportable traders are net long 45,331 contracts after net selling 3,479 contracts.

COFFEE:

While it finished January facing near-term demand concerns, coffee's demand outlook should improve by mid-year as COVID shutdown restriction are relaxed. Brazil will start to harvest their 2021/22 "off-year" crop around that period, and expectations for both can help coffee to regain upside momentum early this week. May coffee reached a 2-week low before finishing Friday's trading session with a moderate loss. For the week, May coffee finished with a loss of 1.20 cents and a second negative weekly result in a row.

The Brazilian currency continued to lose value as it reached a 2 1/2 week low, and that weighed on coffee prices as that could encourage Brazil's farmers to market their near-term supply. In addition, there is rain in the forecast for Brazil's major Arabica growing areas this week that should benefit their upcoming coffee production. The Brazilian exporter Comexim forecast their nation's 2021/22 coffee production at 53.9 million bags. That would be 20% below this season's output which is at the lower end of production decline forecasts, while they expect Brazil's 2021/22 exports at 38 million bags which would be down 15% from this season's record high.

Vietnam's General Statistics office pegged their January coffee exports at 120,000 tonnes (2.0 million bags) which was down 17.6% from last year's total. The Honduras National Coffee Institute said that their nation's 2020/21 coffee exports will be down 11% from last season due in part to damage from November's back-to-back hurricanes. ICE exchange coffee stocks rose by 3,382 bags on Friday and finished January at 1.622 million. This is their fourth monthly increase in a row, their highest month-end total since last June and their largest monthly increase (202,289 bags) since October 2012 as they have risen over 525,000 bags since reaching a 20-year low on October 5th.

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The January 26th Commitments of Traders report showed Coffee Managed Money traders added 522 contracts to their already long position and are now net long 25,005. Coffee CIT traders hit a new extreme long of 72,650 contracts. CIT traders net bought 812 contracts and are now net long 72,650 contracts. Non-Commercial No CIT traders are net long 22,105 contracts after net selling 1,541 contracts. Non-Commercial & Non-Reportable traders are net long 50,805 contracts after net buying 72 contracts.

COTTON:

May cotton closed moderately higher on Friday and continued to advance early this week. The market closed lower for last week after closing higher for four weeks in a row. January was the eighth month in a row that cotton closed higher. The dollar closed higher and the stock market lower, and both of those moves were negative for cotton. The trade is reporting active cash buying interest from mills, especially after the selloff last week. Export business continues to be strong, with another 376,305 bales of export sales reported last week. Sales have already reached 87% of the USDA's forecast for the marketing year versus a five-year average of 75%.

Friday's Commitments of Traders report showed managed money traders were net sellers of 192 contracts of cotton for the week ending January 26, reducing their net long to 67,661. Non-commercial, no CIT traders were net sellers of 545, reducing their net long to 60,468. Non-commercial & non-reportable traders were net sellers of 1,230, reducing their net long to 96,800. ICE warehouse stocks reached 79,335 bales as of January 28, up 1,140 from the previous day and up 7,633 for the week. Stocks are the highest they have been since December 16.

SUGAR:

While the market has seen coiling price action over the past few weeks, sugar prices have been resilient as they benefited from improved demand prospects. With energy prices likely to remain strong while inflation may be on the rise, sugar can regain upside momentum early in February. May sugar bounced back from an early 2-week low to finish Friday’s trading session with a moderate gain. May sugar finished unchanged for last week’s trading, but it posted a monthly gain of 40 ticks which was a ninth monthly gain in a row.

The Brazilian currency reached a 2 1/2 week low which put pressure on the sugar market as a weaker currency could encourage Brazil’s Center-South mills to produce more sugar for export. Sluggish energy prices were another source of pressure as that may hurt Brazil’s domestic ethanol demand which has improved since early December. With crude oil and gasoline prices near 1-year highs, however, Center-South mills could shift upcoming crushing towards ethanol and away from sugar.

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There were reports on Friday that a shortage of shipping containers will restrict exports of India's sugar. India's mills have agreed to export 2.5 million tonnes of sugar so far this season with 1.2 million heading to Indonesia, and the mills are optimistic that India can reach their government's 2020/21 sugar export target of 6 million tonnes when the container shortage has been sorted out.

With Thailand looking at a second season in a low with very low sugar production, there is a window for India's mills to agree to more export deals before Brazil's harvesting and crushing start up again in April. Many analysts feel that the Center-South 2021/22 cane crop will be lower than this season due to dry weather last year and the current La Nina weather event. Even if Center-South mills keep sugar's share of crushing around the same level as this season, 2021/22 Center-South sugar production could come in 2 to 3 million tonnes below this season's total.

Sugar positioning in the Commitments of Traders for the week ending January 26th showed Managed Money traders were net long 206,487 contracts after decreasing their long position by 12,820 contracts. CIT traders are net long 265,735 contracts after net selling 787 contracts. Non-Commercial No CIT traders net sold 17,012 contracts and are now net long 156,067 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 18,789 contracts to a net long 315,028 contracts.

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