L.O.G.I.C.
LAWSON O'NEILL
ADVISORS

5/6/2021

GOLD ROARS HIGHER.
UNEMPLOYMENT CLAIMS FALL. STOCKS SEE FIRM FINISH.
EURO HIGHER BUT WITHIN RECENT RANGE. ASIAN STOCKS SURGE.

Equities: It was an up day for stocks around the globe with Asian stocks surging led by a 518 point rally to 29,331 for Japan's Nikkei. Hong Kong added 219 to 28,638 while Shanghai fell 6 to 3,441. Singapore added 19 to 3,173 and Korea's Kospi gained 31 to 3,178. The Korean market acts well and has a solid technical under pinning. We still see a long term potential for at least 3,400 for this index.

European stocks also have a positive tone and with ongoing potential for further gains into mid-year. Things were relatively quiet today as the BOE left rates unchanged at its meeting but gave an upbeat assessment of the economy of the region. London's FTSE added 37 points to 7,076 and it remains one of our favored indices for the next few months. Germany's DAX added 26 to 15,197 and the French CAC was up 17 to 6,357. Greece added 19 to 8,982, and although it remains our least favored major European index it is also in an uptrend. The broad Stoxx 600 was down 0.53 to 441.02 with a 450 initial forecast. In a word we favor European stocks, particularly with Covid-19 gradually coming under control.

US stocks featured a strong Dow which rallied to the day's best at the close. Nasdaq was up 50 to 13,363 and the S&P added 34 to 4,202. The tone of US stocks remains strong, and we see that pattern persisting. Stay long as this rally pattern could last for quite a while.

Interest Rates: Treasury yields were lower including the 10-Year note at 1.566% from 1.573%. The 2-Year fell to 0.157% and the 30-Year eased to 2.243%. Yields have displayed a slightly easier tone recently but have essentially been range oriented. On the data front Initial Unemployment Claims surprised at 498,000 versus forecasts of 527,000 and 590,000 last week. Continuing Claims were 3.69 million versus 3.65 million last week. Q1 Productivity rose a healthy 5.4%, exceeding the 4.5% forecast and well ahead of the previous minus 3.8%. Q1 Unit Labor Costs fell 0.3%, less than the 1% drop forecast. Taking a broad look at the economic data recently released the economy is clearly improving which we think will eventually be reflected with higher Treasury yields. Fed Governor Bostic said the market is far from a condition that would allow for tapering which seems a bit strict.

European paper included the German 10-Year bund at 1.566% from 1.576% and Italy at 0.92% from 0.902%. Spain came in at 0.453% from 0.446% and the UK gilt at 0.795% from 0.821%. The ECB remains in a fairly loose policy mode which we still expect to last until at least Q4 and probably until 2022.

Forex: Currencies included a higher Euro at $1.2050 from $1.2006 and a lower British Pound at $1.388 from $1.3910. As indicated above the BOE left rates unchanged at its meeting but they did give a rosy picture of the economy. We continue to forecast a gradually higher Pound in coming weeks as well as a strong Euro. The economic data projects improvement. Elsewhere, the Japanese Yen was down 10 to 109.10 and we still feel this currency has seen its best readings. Near term, it looks mixed. The Australian dollar had a good day as it advanced 0.28 to 77.76 cents as still hold an 80 cent forecast. The US Dollar Index fell 32 to 90.99.

Energy: June WTI crude oil fell 92 cents to $64.71 with demand concerns the primary negative. Brent eased to $68.31 with demand concerns the key factor We view such concerns as somewhat over blown and expect the market to quickly return to the upside. Demand should begin to pick up as the year unfolds and the summer driving season goes into full force. We are still in the $70 forecast club. Natural gas closed at $2.933, and we think the market has a limited amount of upside potential.

Metals: June gold broke above resistance to close up → $30.50 at $1,814.80 as it blew through $1,800 with ease. Hedge funds have been accumulating gold gradually and now speculative demand has developed. The market is seeing a return of speculative interest that has propelled prices higher. We frankly have missed that rally and at this point we are not about to chase. However, the trend is probably higher, and gold looks good. Sipping bond prices played a role in a bit of today's rally as gold traded over $1.800 for the first time since February. July silver also had a solid session, advancing a hefty 93 cents to $27.45. Large speculative orders were a feature. Platinum and palladium also gained. July copper just keeps on rolling as it advanced to $4.6075 with Chinese demand and a continued run of European buying was featured. Well, we have missed gold but not copper where we have a long term forecast of $5.00.

Note- The CME announced it will close most of its commodity pits shortly. More on this tomorrow.

-BILL O'NEILL 201-314-3854

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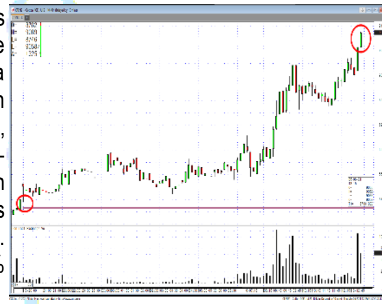
So, Let's See Which WASDE Lie *Is True…*

While Cotton Opened higher last night, on what proved to be the Session's eventual Low, the sideways move into Daylight Trading Time came on sparse Volume. However, in the wake of the Weekly Export Report, detailed below, a upside morning price explosion took July up to the highest level of the week on impressive Volume. The rally continued in a series of jumps and consolidation, straight into the close. After travelling around within a 343 point Opening-Low-to-Closing-High range, Settlement came with High triple-digit, front-month gains, and a solid triple-digit advance in New Crop. Today's Volume was estimated at 25,400 Futures, of which a mere 38% were involved in Spreads. In Options, the Implied Volatility understandably jumped, with July up to 34.11% from 32.03, in Dec to 30.54% from 29.73 and in March to 28.85% from 28.28.



CTE - Cotton (ICE) (Delayed by 10mins)

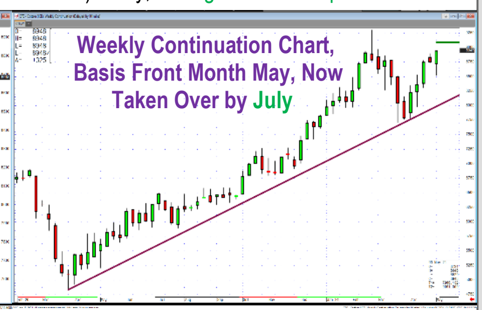
	Open	High	Low	Last	Net	Volume	OI	OI Delta
CTEK21	8948	8948	8948	8948√	+325	2	2	+0
CTEN21	8782	9089	8746	9058√	+325	16046	102784	-1088
CTEV21	8744	8873	8744	8872√	+171	15	38	+1
CTEZ21	8570	8687	8537	8672√	+132	6974	88871	+2036
CTEH22	8491	8590	8453	8582√	+114	1102	14007	+159
CTEK22	8410	8508	8388	8508√	+104	306	2532	+22
CTEN22	8325	8421	8307	8421√	+94	251	5775	+48
CTEV22	8041	8041	8041	8041√	+59	0	0	+0
CTEZ22	7743	7765	7732	7751√	+24	710	7123	+86
CTEH23	7771	7771	7771	7771√	+19	0	50	+0
Total						17482	221190	+969

In the Export Report, Upland Sales came in at 63,700 current crop/61,200 next season bales, with corresponding Pima numbers at 11,300/200. Moving into 18 destinations, the best buyers were Bangladesh, at 15,400/21,600; Pakistan, at 16,300/15,400; China, at 26,400; and Vietnam, at 26,000. Cancellations were isolated to three sponsor totaling 71,700 Bales, the bulk of which from Vietnam, at 39,400, and China, at 29,400. More likely than not, the Sellers cancelled these sales, ***NOT*** the Buyers. Today's Shipments were impressive, with 456,600 Upland and 24,700 bales of Pima. It appears that 75,000 bales were a late report from last week.

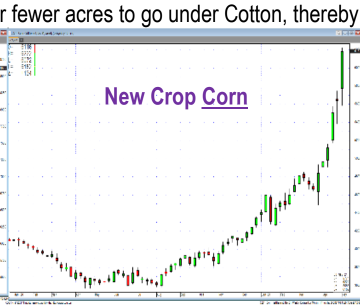
Sales for the season have now reached 16.643mm vs. 17.148 last year on this date, and total a whopping 893,000 bales over the current, 15.75mm-bale, USDA year-end target. Shipments now total 12.364mm for the year, vs. 11.170 last year, leaving a Weekly Average of 282,000 bales required to hit the year-end target.

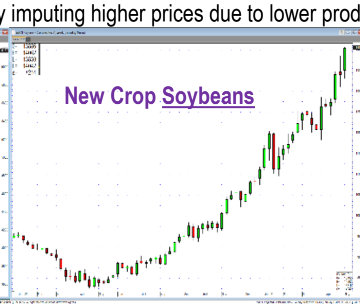
Outside Markets supplied a lot of Support to Cotton today. Higher Chicago Grain prices (more on that below), solid Precious and Base Metals advances, another limit up move in Lumber, a positive response in the Equity markets to improving Jobs numbers, along with a weaker U.S. Dollar all provided a Bullish backdrop for Cotton to step up and rally along with the rest of the Commodity space.

Technically, Support on the July Daily Chart came in today at 86.54, Resistance at 90.27. The December Daily Chart broke out of its triangle, as expected, to the upside. The Weekly Continuation Chart will see July (closing at 90.58) take over as lead month from May (closed at 89.48) today, adding to its Bullish profile tomorrow.



Increasingly, outside Market forces will play a part in Cotton's price-directional attitude. With planting of U.S. Crops yet to get into full swing nationwide, below, we offer comparative charts of New Crop pricing for Cotton, and the 3 commodities that compete the most for planted acreage with Cotton. Bearish-minded Traders will cite Cotton's inability to make a new High, as proof of a lagging performance and evidence that prices have topped out. Bullish Traders will claim that with the Crop yet to be sown, there is still plenty of time for fewer acres to go under Cotton, thereby imputing higher prices due to lower production. We definitely side with the latter.





From our Friends at ACSA:

Shipping Giant Maersk Reportedly Said There Are Not Enough Ships in the World to Meet Container Shipping Demand: Maersk handles around 20% of global container traffic. The shortage of container ships and problems with the location of many containers has helped to more than triple container rates over the past year. Meanwhile, Maersk Line logged its best quarter ever, posting a record $2.7 billion in profit as retailers raced to stock pandemic-depleted U.S. inventories and meet surging ecommerce orders, the Wall Street Journal reports. A.P. Moller-Maersk's shipping volumes rose 5.7% year-over-year as freight rates pushed 36% higher on average, generating more than $12.4 billion in revenue. The Danish container ship operator is considered a barometer of global trade, and CEO Soren Skou expects the demand to persist through the end of the year. The earnings boost will accelerate Maersk's investment into its inland logistics business, and the company is planning a roughly $5 billion American Cotton Shippers Association www.acsa-cotton.org share-buyback program. China's Cosco Shipping Holdings also posted a $2.4 billion quarter profit following a year in which container lines showed their strongest profits in recent memory.

With Next Wednesday's Monthly WASDE Report looming, trading over the next few sessions may become even more tenuous than usual. At some point, the USDA must either accept their own Weekly Sales numbers, and change the WADSDE Export figure, ***OR*** claim that one or the other data points is false. If they increase the Export figure, then they will have to decrease the carryout by a corresponding amount. That is of course, unless they jimmy-jack around with the Beginning Stocks number, increasing the carry-in, to offset the pragmatic, overly-Bullish result, of a subsequent million-bale decline in Ending Stocks. *They can't have it **both** ways.*

Ron Lawson/Bill O'Neill
Lawson/O'Neill Global Institutional Commodity Advisors, LLC
www.logicadvisors.com
(707) 939-8180