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MARKET OUTLOOK FOR UNITED STATES & SOUTH AMERICA

Grain Market Outlook for the United States and South America by Steve Freed, Vice President of Grain Research, ADM Investor Services

*The following report is an overview of the US and South American economic, political and crop situations as of **April 17, 2019.** This report is intended to be informative and does not guarantee price direction.*

There continues to be no U.S. and China trade deal. Most analysts believe China wants a deal. Still some in the U.S. trade delegation want more concessions from the Chinese and stricter enforcement rules. Without a deal grains and oilseed prices could continue to drift lower. Managed funds continue to have a record net short future and option position. South America weather has been favorable for crops and production will be above last year. The trade continues to forecast larger world 2019 corn, wheat and soybean crops than last year.

On April 9, the USDA estimated the world corn carryout to be near 314.0 million tonnes versus 340.4 last year. Of the total, China was 204.8 million tonnes. The USDA estimates world domestic corn use to be near a record 1,133.8 million tonnes. The export trade is estimated to be near 168.1 million tonnes versus 147.1 last year. The USDA expects the Brazil corn crop to rebound to near 96.0 million tonnes versus 82.0 last year. In addition, the USDA expects the Argentina corn crop to rebound to near 47.0 million tonnes versus 32.0 last year. The biggest surprise in the report was the increase in the U.S. corn carryout from 1,835 million bushels to 2,035. This is due to higher March 1 stocks and implied lower feed/residual use.

Managed funds are now net short near a record 282,000 corn futures contracts. Some feel that they have sold the market on concerns about the global economy and talk that world 2019 corn supply will be higher than demand. For most of the first three months of the 2019 season, traders were hoping that a new trade deal between the U.S. and China could increase demand for U.S. corn, DDG, ethanol and sorghum. The extended time to reach an agreement is frustrating the bulls.

On April 9, the USDA left the world 2018/19 soybean carryout to near 107.3 million tonnes versus 99.0 last year. The USDA estimates world domestic soybean use to be near a record 349.1 million tonnes. The export trade is estimated to be near a record 154.3 million tonnes versus 153.0 last year. The USDA expects the Brazil soybean crop to be near 117.0 million tonnes versus 122.0 last year. The USDA expects the Argentina soybean crop to rebound to near 55.0 million tonnes versus 37.8 last year. The USDA left China's soybean imports at 88.0 million tonnes versus 94.1 last year. Some analysts feel the spread of African swine fever in China could reduce hog production and consumer demand for pork. This could reduce final China soybean imports from the USDA estimate.

Managed funds are now net short 79,000 futures contracts. Some feel that they have sold the market on concerns about the global economy and talk that world 2019 soybean supply will be higher than demand. China is back buying U.S soybeans. But some feel this is to show goodwill for a new trade deal and that other buyers may turn to cheaper Brazil soybeans versus U.S. for needs, which could eventually lower U.S. final exports and raise the carryout.

On April, the USDA increased the world wheat carryout to near 275.6 million tonnes versus 281.9last year. Of the total, China is 140.0 million tonnes. The USDA estimates world domestic wheat use to be near 739.1 million tonnes. The trade is estimated to be near 178.4 million tonnes. Russia is the number one world exporter at 37.0 versus 41.4 last year. Managed funds are now net short near 64,000 Chicago wheat futures contracts. Some feel that they have sold the market on concerns about the global economy and talk that world 2019 wheat supply will be higher than last year, especially in Europe and Russia. For most of the first three months of the 2019 season, traders were hoping that a new trade deal between the U.S. and China could increase demand for U.S. wheat. So far, the U.S. winter has been wet and cold. The 2019 Kansas winter wheat crop is rated 59% good to excellent. Early estimates of the U.S. 2019 wheat crop are near 1,935 million bushels versus 1,884 last year and early estimates of the 2019 world wheat crop are near 770.0 million tonnes versus 733.0 last year.

Incoming data for 2019 has been mixed thus far for the Brazil economy, following a tepid end to last year. A high unemployment rate, which crept up in the October to January period, continues to plague household spending, while consumer confidence dropped to a six-month low in March. On a brighter note, industrial production grew solidly in February.

On 5 April, the International Monetary Fund unlocked a USD 10.8 billion financing tranche to be disbursed to Argentina on April 9, which is part of the revised USD 56.3 billion stand-by agreement reached in October to protect the peso and help revive the economy. The IMF praised the government for outperforming its 2018 primary deficit target, but also urged it to further cut spending and adopt pro-growth, market-liberalizing reforms.

Corn Futures - Weekly

All Charts provided by QST

Livestock Outlook by Chris Lehner, Senior Livestock Analyst, ADM Investor Services

*The following report is an overview of the Livestock futures markets as of **April 18, 2019** and is intended to be informative and does not guarantee price direction.*

Cattle

March was a fairly inactive month for cattle futures bouncing up and down in a tight range. April Live Cattle futures started out the month on contract highs for April futures at $130.45/cwt, dropped to $126.32 by mid-April, moved back to $130.45/cwt on April 22nd and settled on March 29th at $125.70/cwt. The decline of $4.75/cwt for the month was due to speculative traders unwinding Long April Cattle and Short April Lean Hog spreads.

On February 20th, the spread differential between April Live Cattle and April Lean hogs was historically wide at $76.20/cwt. By March 1st, there was slight correction, but the spread was still historically wide at $73.15/cwt. Essentially, pork and hog prices had been falling from March 2018 into March of 2019, while cattle prices were moving higher. During March 2019, cattle futures were steady to slightly better. When China announced they were buying pork at the beginning of March, the spread did a complete reversal and the spread reversed from $73.15 on March 1st and narrowed to $44.92/cwt on March 27th. Fortunately April Live Cattle futures had enough strength from the cash cattle and beef markets, and the liquidation of the spread only affected April live cattle by $4.75/cwt off the two highs of $130.45.

Boxed Beef prices improved throughout March. Choice boxed beef the first week of March was $219.95/cwt and ended the month at $226.05/cwt. Cash cattle markets were mostly steady from $225/cwt with highs of $128/cwt with a few at $130/cwt.

Live Cattle Futures - Weekly

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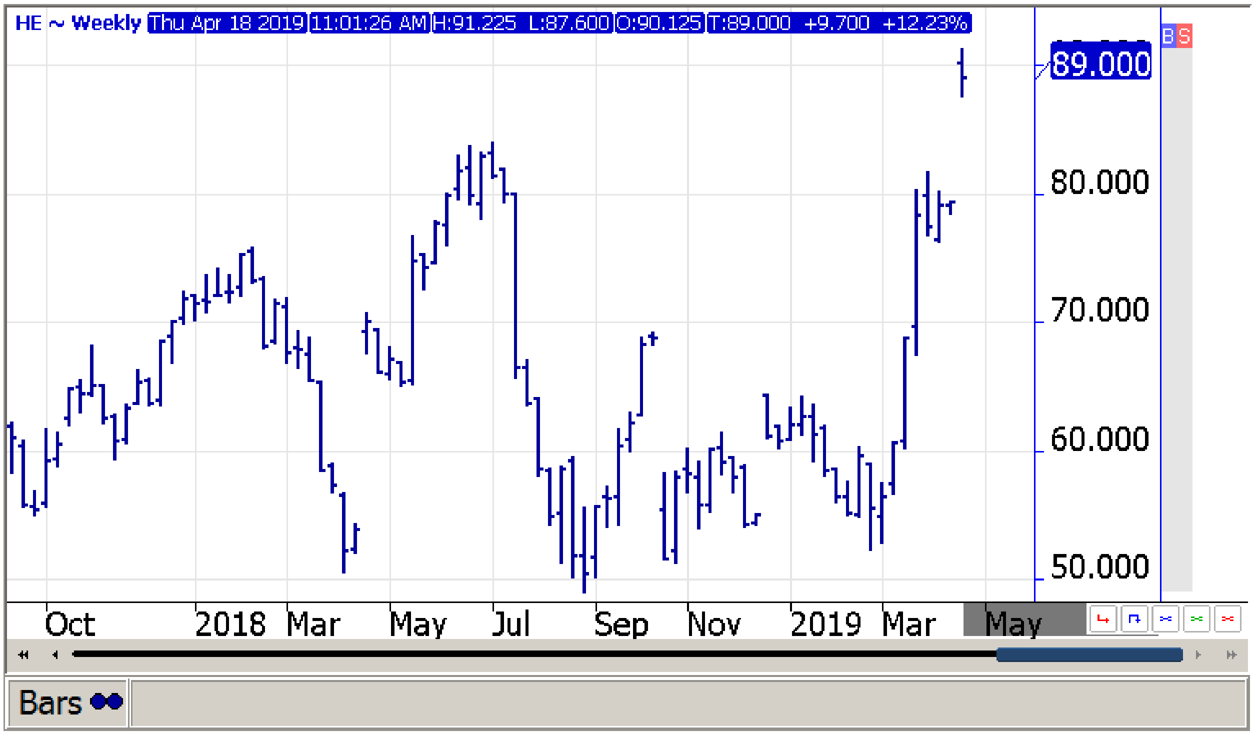
Lean Hogs

In the first week of March the hog market was surprised when the USDA reported China bought a whopping 104,000 mmt of U.S. pork. The hog market's steep decline for nearly a year was over. April Lean hogs started the month on a low at $56.75 and by March 29th, the last trading day of March, rallied to $80.57/cwt for a gain of $23.82. For several months there were rumors China would buy U.S. pork regardless of tariffs placed because of trade disputes, but other than a purchase in late November 2018, with almost daily rumors that China would buy, the rumors couldn't offset the lack of demand and growing hog and pork supplies. By the first week of March, year to date, U.S. hog slaughter was up 2.4%. Primal pork loins were about to break $50/cwt and primal hams were near $40/cwt. With the end of rumors, lean hogs and pork rocketed during March.

By March 15th, primal pork loins were up close to $10/cwt and primal hams were over $55/cwt with continued gains into the end of March, loins were nearly $75/cwt and hams over $72/cwt. China was not the only big exporter. Mexico was a large buyer week after week in March.

Lean Hog Futures - Weekly



Stock Index, Crude Oil, Precious Metals and Currency Market Outlook
by Alan Bush, Senior Financial Economist, ADM Investor Services

*The following report is an overview as of **April 17, 2019** and is intended to be informative and does not guarantee price direction.*

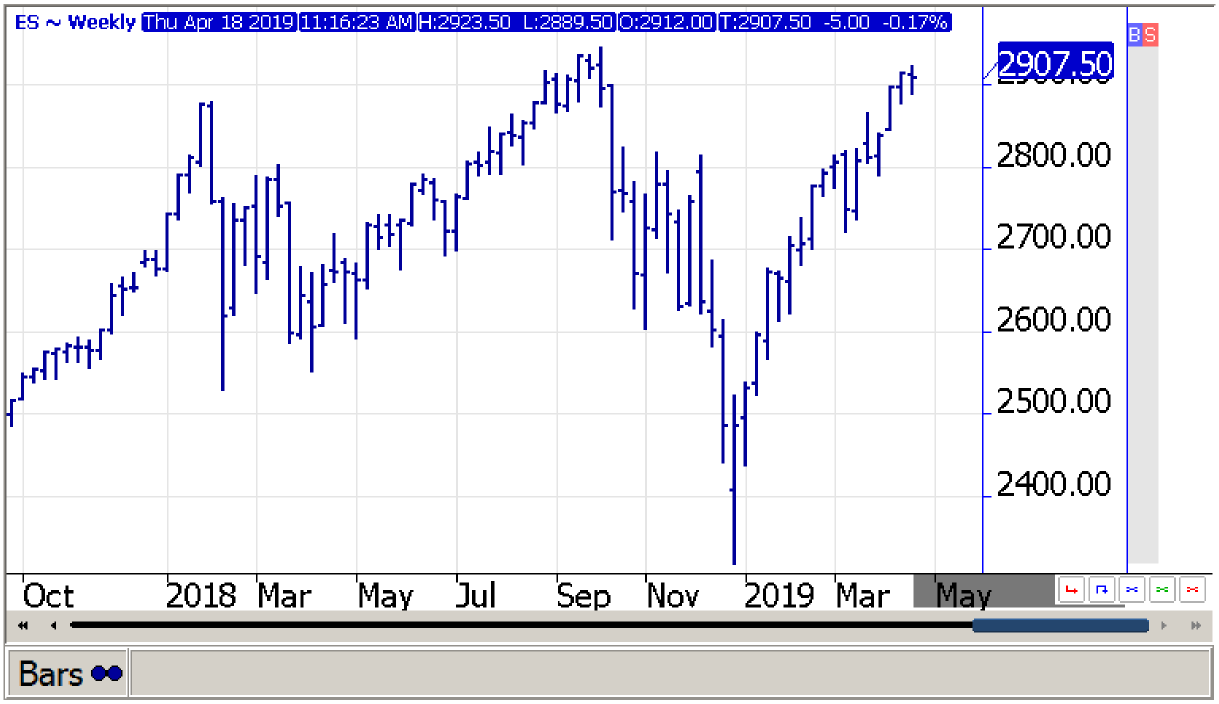
Stock Index Futures

Stock index futures are closing in on the record highs that were made last year. These gains are in spite of analysts' expectations that expect S&P 500 companies will post a year-to-year decline in profits, which would mark their first annual decline in earnings since 2016. Analysts now expect first quarter S&P 500 profits to have declined anywhere from between 1.8% to 4.2% year-on-year.

Why have U.S. stock index futures performed so well in spite of a weaker corporate earnings outlook. It is my belief that investors are looking past the ongoing first quarter earnings season, with the benchmark S&P 500 index now within 1% of its closing record high that was hit in September.

My view is that the global reflation story remains on track and easier credit conditions from most of the world's central banks are coming and will be the dominant fundamental that supports stock index futures in the long term. Additional gains appear to be in store for stock index futures.

S&P 500 Futures - Weekly



U.S. Dollar

The U.S. dollar has performed relatively well even though the Federal Reserve has dramatically back away from its hawkish rhetoric of late last year when fed officials predicted three fed funds rate hikes in 2019. It appears that the greenback has trended higher this year mainly by default due to investors searching for higher yields, as foreign major central banks have turned more cautious than the Federal Reserve about increasing interest rates.

There was only temporary pressure on the U.S. dollar when the substantially weaker than expected headline U.S. nonfarm payroll report was released. Nonfarm payrolls increased only 20,000 in February when up 175,000 was anticipated.

Interest rate differential expectations have turned neutral to slightly bullish for the U.S. dollar. If I am correct in my belief that the Federal Open Market Committee will keep its fed funds rate unchanged in 2019, the greenback will remain firm.

Euro Currency

The euro currency worked lower due to more signs of weakness in the German economy. German factory orders unexpectedly plunged in February by their sharpest rate in more than two years. Orders were down 4.2%, which is substantially worse than the expectations for a 0.3% gain. In addition, the euro was pressured by news that Italy is preparing to cut its GDP forecast for 2019 to 0.1% from 1.0% previously.

The euro currency came under pressure when European Central Bank President Mario Draghi said risks to the euro zone growth outlook still are tilted to the downside. Also, several European Central Bank policymakers expressed doubt about a projected growth recovery in the second half of this year, citing the economic slowdown in China and ongoing trade tensions.

In the longer term view, interest rate differential expectations are slightly bearish for the currency of the euro zone.

Crude Oil

Crude oil futures advanced to five month highs due to the belief that most of the world's major central banks are tilting toward accommodation. In addition, investors anticipate that a U.S.-China trade deal will stimulate demand. Also, the Organization of the Petroleum Exporting Countries and other top producers are following through on a promise made late last year to reduce output to slim down supplies and increase prices.

OPEC and a group of 10 producers outside the cartel, led by Russia, agreed late last year to collectively hold back crude output by 1.2 million barrels a day for the first six months of this year. In addition U.S. sanctions on the oil industries of Iran and Venezuela have curbed their output and exports, limiting the world's supply of crude oil.

Longer term, crude oil futures are likely to continue to advance, especially if a trade agreement between the U.S. and China is reached.

Crude Oil Futures - Weekly

Gold

Gold futures have erased all of its gains for 2019, falling over 5% since hitting a 10 month high in February and are at their lowest level since late December. Much of the pressure is being linked to faith that the U.S. and China will reach an agreement to end their month's long tariff fight, which is causing safe haven vehicles to be liquidated, including precious metals.

In addition, the World Gold Council said over $1 billion have flowed out of gold-backed exchange-traded funds in February, after four consecutive months of inflows.

A new price advance is unlikely to take place until after a U.S.-China trade agreement is reached.

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Gold Futures - Weekly

Support and Resistance

Stock Index

June 19 S&P 500

Support 2885.00 Resistance 2945.00

June 19 NASDAQ

Support 7615.00 Resistance 7885.00

Energy

June 19 Crude Oil

Support 61.30 Resistance 68.55

May 19 Natural Gas

Support 2.420 Resistance 2.630

Precious Metals

June 19 Gold

Support	1265.0	Resistance	1300.0

May 19 Silver

Support	14.600	Resistance	15.600

Industrial Metals

May 19 Copper

Support	2.8500	Resistance	3.0500

Currencies

June 19 US Dollar Index

Support	95.050	Resistance	98.150

June 19 Euro Currency

Support	1.12720	Resistance	1.14000

Grains

July 19 Corn

Support	3.50	Resistance	3.80

July 19 Soybeans

Support	8.50	Resistance	9.50

July 19 Chicago Wheat

Support	4.00	Resistance	5.00

Livestock

June 19 Live Cattle

Support	119.50	Resistance	126.87

June 19 Lean Hogs

Support	91.50	Resistance	104.27

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MARKET OUTLOOK FOR CHINA AND ASIA REGION

By Alex Poon, ADMIS Hong Kong & Kevin Yang, ADMIS Shanghai Representative Office

*The following is an overview of the Chinese and Asian economic, political and crop situations as of **16th April 2019**. This report is intended to be informative and does not guarantee price direction.*

The key Chinese and Asian event over the last 30 days has been China showing signs of recovery with the help of stimulus policy. Manufacturing PMI is back to the expansion zone with improved sentiment. Japan and South Korea are still experiencing a drop on exports, while the Australian election in May might add more uncertainty.

CHINA

- Thanks to tax cut policies and a robust growth in money supply, China's factory activities significantly recovered in March. The CAIXIN China manufacturing PMI rebounded to an eight-month high of 50.8 compared to a reading of 49.9 in February. For the first time over the past four months, the PMI rebounded to expansion. The output index further rebounded into the expansion area, while the New Order Index rebounded slightly to its highest level in four months. In particular, the employment index soared to its highest level since February 2013 and jumped to expansion area, indicating that employment pressure has been effectively eased. Meanwhile, the official manufacturing PMI echoed the recovery by jumping to 50.50 from last month's 49.20.
- China's consumer and industrial inflation climbed in March. The CPI increased 2.3% year-on-year, since pork prices jumped strongly because of African swine fever. But on a monthly basis, the CPI declined 0.4%. Yearly growth of the PPI picked up to 0.4% from last month's 0.1% due to increases in prices for steel, coal and crude oil. The monthly growth of the PPI turned positive, up 0.1% in March, ending a decline for four straight months. Growth of both the CPI and the PPI is expected to continue the upward trend in months to come as African swine fever remains and crude oil prices keep climbing.
- China's exports in dollar dominated terms beat expectations in March by increasing 14.2% compared to last year, while the import outlook remained gloomy, falling 7.6% year-on-year, leaving the country a monthly trade surplus of $32.65 billion. But some analysts had

attributed the gains to seasonal factors rather than global demand, because shipments usually jump after the long Lunar New Year holidays, which cause massive business disruptions. Out of the $76.31 billion trade surplus in the first three months, $62.52 billion came from the United States, suggesting a long way to go to fix the trade imbalance between the two economies.

- China's soybean imports in March increased 10% to 49.17 million tons compared to February, but were down by 13% from last year and the lowest level since 2015, mainly because the outbreak of African swine fever in many provinces, which damaged demand for soymeal. The crushing margin has been negative since the end of last year. In the first three months, China's soybeans imports totaled 16.75 million tons, 14.4% less than last year. Though soybean imports might pick up in the second quarter to 27 million tons, according to China National Grain and Oil Information Center, some analysts said China's oil seeds import had reached a turning point.

OTHER ASIAN COUNTRIES

- Japan experienced its first trade deficit in three years in FY2018 due to higher energy prices and poor demand from China. The manufacturing sector shows no sign of rebound with the March Manufacturing PMI matching the level in February and staying in the contraction zone. As an export oriented country, Japan is now facing higher recession risk, unless global growth improves substantially.
- South Korea's exports recorded the fourth drop in March, while factory output dropped to a two-year low in February. With inflation slowing to near three-year lows and the unemployment rate increasing further in March, the calls for the BOK to cut rates is building and the central bank governor signaled a change the policy direction if "recovery sentiment" worsens.
- Australia will have federal elections on May 18 and polls are showing the opposition is leading now, so the result is uncertain. Analysts don't expect an interest rate change during this period, although the RBA is dovish. The RBA said if the jobless rate rose and inflation stayed low, a rate reduction will be appropriate. Financial futures markets expect the RBA will cut interest rates as early as at August's meeting.