



Monthly Global Research Newsletter

CHICAGO

ADM Investor Services
141 W. Jackson Blvd.
Suite 2100A
Chicago IL 60604
www.admis.com

LONDON

ADM Investor Services
International
4th Floor
Millennium Bridge House
2 Lamberth Hill
London EC4 V3TT
www.admisi.com

HONG KONG

ADMIS Hong Kong
Suite 908-10
9/F Lincoln House
Taikoo Place
979 Kings Road
Hong Kong
www.admis.com.hk

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 **December 13, 2017**. This report is intended to be informative and does not guarantee price direction.*

From mid-November to mid-December soybean futures traded mostly sideways between 9.80 and 10.20. Corn and wheat futures traded lower. In December, the USDA lowered the U.S. 2017 corn carryout due to higher ethanol use and increased the 2017/18 soybean and wheat carryout due to lower exports. The USDA also estimated world 2017/18 wheat end stocks higher than expected. Traditional funds continue to be net short in corn and wheat and long soybeans, soy meal and soy oil contracts.

March soybeans are near \$9.89. March corn is near \$3.49. March Chicago wheat is near 4.14. January crude oil futures are near \$57.00 and February gold futures are near \$1,250. Global geopolitical issues kept currency and financial markets volatile. Growing global economies remain supportive to equities. China's new infrastructure policy could help industrial commodities.

United States

USDA estimates U.S. 2017/18 corn carryout near 2,437 (-50)

USDA estimates U.S. 2017/18 soybean carryout near 445 (+20)

USDA estimates U.S. 2017/18 wheat carryout near 960 (+25)



World

World 2017/18 corn end stocks at 204.1 mmt (+0.2)

World 2017/18 soybean end stocks were estimated at 98.3 mmt (+0.4)

World 2017/18 wheat end stocks were estimated near 268.4 mmt (+0.9)

Argentina

The USDA's estimate of the Argentina 2018 soybean crop was at 57 and 2018 corn was estimated at 42. The country is set to grow at a robust pace in the next two years on higher private consumption and fixed investment, the latter of which will be supported by improving business confidence.

Brazil

The USDA Brazil 2018 soybean crop is estimated to be near 108. Brazil's 2018 corn crop is estimated to be near 95.0 mmt. Low interest rates, improving confidence and historically low inflation should fuel an acceleration in growth next year. Structural reforms, however, are key to a sustainable recovery and the reversal of the untenable level of public debt.

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

Stock Index Futures

S&P 500, Dow Jones and Russell 2000 futures registered new historical highs in December. The bullish on balance economic fundamentals continue to dominate, which includes an expanding gross domestic product of up 3.3% on a seasonally and inflation adjusted annual rate in the third quarter, the strongest quarterly growth reading in three years. In addition, there were reports of increasing profits at U.S. businesses.

There were follow through gains on news that the U.S. added more jobs than forecast in November and the unemployment rate held at nearly a 17 year low. Payrolls increased 228,000, which is above the median analyst estimate of 195,000, while the November unemployment rate was 4.1%. Also, futures advanced when the Senate passed its version of a \$1.4 trillion package of tax cuts in a narrow 51-49 vote, which moved the legislation closer to approval by the end of the year.

There was additional support for futures when Fitch Ratings said world economic growth momentum continues to be strong and is likely to be sustained by an increasingly improving outlook for investment. World growth is now estimated to be 3.2% this year and 3.3% next year.

The long term trend for S&P 500, Dow Jones, NASDAQ and Russell 2000 futures is higher.



Energy

In November, crude oil prices advanced to their highest level since May of 2015, supported by geopolitical turmoil in the Middle East and the Organization of the Petroleum Exporting Countries' ongoing effort to eliminate approximately 2% of global supply with the help of external crude oil producers.

OPEC production declined to its lowest level in six months, although price gains were limited by surging U.S. production. OPEC said its crude oil production fell by approximately 133,500 barrels a day in November to 32.45 million barrels a day.

OPEC and other producers agreed last month to extend the combined production cuts of 1.8 million barrels a day until the end of next year. The bullish implications of this reduction is being partially offset by U.S. production, which is expected to grow by 610,000 barrels a day this year and 1.05 million barrels a day in 2018.

Higher prices are likely for crude oil futures in light of ramped up geopolitical risks, along with an improving global economy.

Precious Metals

Gold futures traded sideways through most of the October-November period, but declined in December. There was temporary support due to rising tensions in the Middle East, which boosted the safe haven appeal of the yellow metal. Much of the recent pressure was linked to ideas that underlying inflation pressures may have moderated last month. Also, some analysts believe the bitcoin buying spree, at least temporarily, has taken the spotlight off of the gold market.

The next major support for March gold comes at the 1230.00-1235.00 level and the 15.40-15.50 level for silver.

U.S. Dollar

The U.S. dollar advanced in December due to reports that U.S. infrastructure spending plans are on the horizon and after Congress passed a two week stopgap spending bill.

Also, there was a firm undertone to the greenback as Republicans in the House and Senate continue their work on a compromise tax reform plan, which they hope to have on President Donald Trump's desk by the end of the year. There was additional support for the U.S. dollar on the belief that the Federal Reserve will continue to unwind its record stimulus plan in 2018 as growth prospects improve.

Interest rate differential expectations appear to be slightly bearish on balance for the U.S. dollar.



Euro Currency

The euro currency trended lower in December with some of the pressure linked to news that German industrial output unexpectedly declined for a second month. Output was down 1.4% in October, which compared to the estimate of a .9% increase. Also, retail sales unexpectedly fell 1.4% from a year earlier.

The euro fell in spite of a report that the unemployment rate in the euro zone declined to 8.8% in October, which is the lowest in almost nine years and the jobless rate remained at a record low of 5.6%.

In addition, the currency of the euro zone declined in spite of higher than anticipated inflation numbers in the euro zone. Euro zone October producer prices rose .4% on the month when a .3% increase was estimated. Also ignored was a report that showed the annual rate of inflation in the euro zone rebounded in November, but was below expectations.

There were temporary gains on news that a German business confidence index compiled by the Ifo economic institute hit a record high in November.

Interest rate differential expectations appear to be slightly bullish on balance for the currency of the euro zone.