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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 ***December 19, 2019.*** *This report is intended to be informative and does not guarantee price direction.*

Since our last report, corn, soybean and wheat futures traded higher. New optimism about a U.S.- China "phase-one" trade deal helped trigger new buying in soybeans and corn. Soyoil made new highs on talk of lower world palm oil supplies and record high China vegoil imports. The USDA's December crop report failed to satisfy the bulls. The U.S. 2019 corn and soybean northwest harvest continues to be delayed due to wet and cold weather. The U.S. domestic corn basis has trended lower due to an increase in farmer selling. The U.S. soybean basis remains historically strong due to the slow harvest and less than normal farmer selling.

South American weather is mostly good for 2020 crops. Dry areas across southern Argentina and north eastern Brazil could get needed rains soon. The 2019/20 world October-September soybean crush was a record 306.4 mmt. China was 83.0 versus 96.2 in 2017. Argentina was near 43.6 versus 36.8, Brazil 45.6 versus 44.2 and the U.S. was 58.0 versus 56.5.

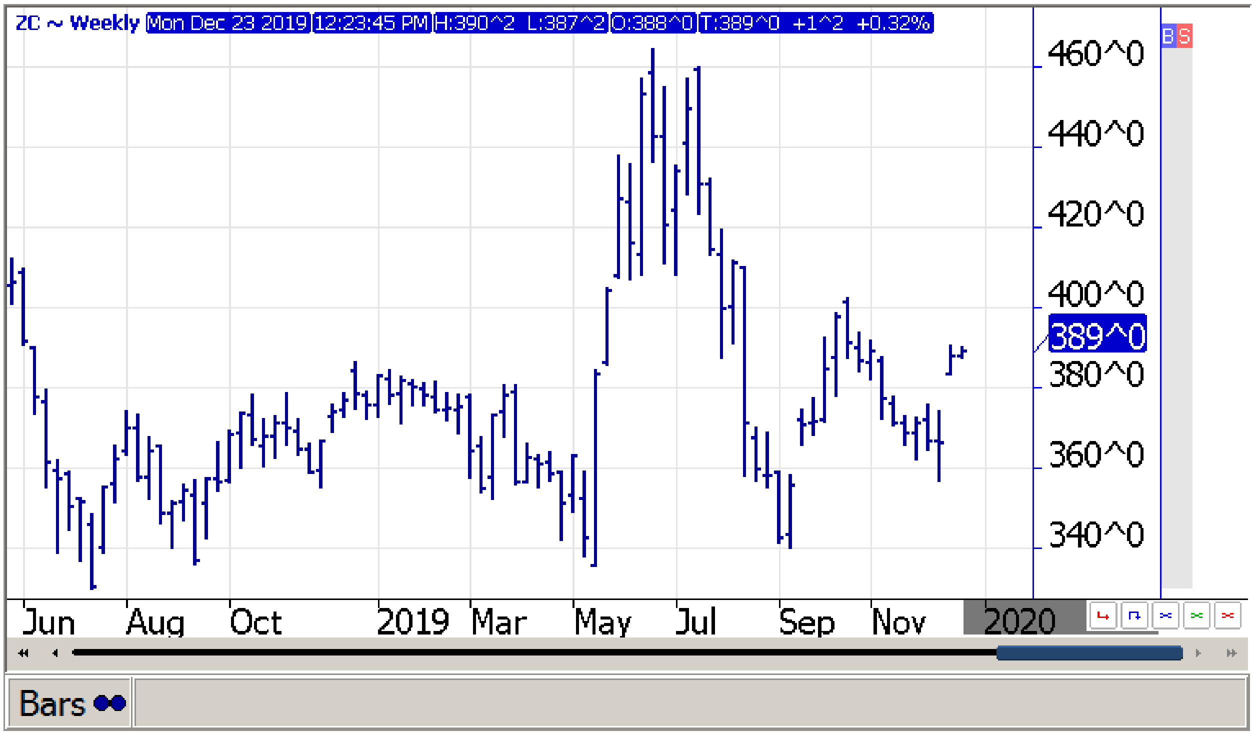
In December, the USDA estimated world 2019/20 corn end stocks at 300 million tonnes. The increase was due to higher China supplies. The USDA estimated total world corn exports to be near 167 million tonnes with U.S. exports estimated to be near 47 million tonnes. The USDA left the U.S.

2019 corn crop at 347 million tonnes. Supply bulls hope the USDA lowers the U.S. 2019 corn crop on January 10.

The USDA increased slightly its world 2019/20 soybean end stocks to near 96 million tonnes. Total world exports are estimated to be near 149.0 million tonnes and U.S. exports are estimated to be near 48 million tonnes. The USDA estimates China's 2019/20 soybean imports at 85.0 million tonnes, versus 83.0 last year, but increased its end stocks 1.0 mmt. March soybean futures rallied to near key resistance, but will need a new China trade deal to push prices higher.

The USDA increased slightly its estimate of world 2019/20 wheat end stocks to 289.5 million tonnes, versus 277.8 last year. The increase was due to higher China supplies. The USDA estimated the world 2019/20 wheat crop at 765.4 mmt versus 731.3 last year. The U.S. 2019 wheat crop is estimated to be near 52.2 mmt, versus 51.3 last year. Russia is estimated to be near 74.5 versus 71.7 last year and the E.U. crop is estimated to be near 153.5 versus 136.9 last year.

Corn Futures - Weekly



Charts from QST

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

The following report is an overview as of December 19, 2019 and is intended to be informative and does not guarantee price direction

Live Cattle

November was a continuation of the bull market that began in September. Unlike the steep rise in September and October, the move higher in November was a slow steady move up. The low on December live cattle, $117.12/cwt, was made on November 1st and the high, $122.07/cwt, was November 29th, the last day of trading. Year to date during November 2019, the USDA Federal Inspected Slaughter was up 1.1% over 2018. Often when there is more supply there can be pressure on the market, but the move higher in cattle was driven by a strong boxed beef market, especially the high priced primal cuts, primal rib sections and loin sections. On November 1st the choice boxed beef cutout was $232.34/cwt and within two weeks it had moved to $240.80/cwt with primal rib sections gaining close to $5/cwt on top of the gain from September of nearly $50/cwt. Exceptional profitable margins for beef packers, close to $400/head, had packers pushing as many cattle to slaughter plants as were ready.

Global demand for beef, pork, poultry, fish and all meat proteins is high because of Chinese demand. It is taking place when a major source for beef from Australia exported to Japan, China and several Asian countries has been dropping. Beginning in 2017 cattle production in Australia, according to the USDA, by 2020 will be down 12.37%. Because of the trade tariffs China has not bought U.S. beef. China has been a strong buyer of Brazilian beef to the point where high priced beef in Brazil has become a situation where consumer's complaints have been recognized by government officials. With the drop in Australian beef, the oversold exports of Brazilian beef, as trade disputes are settled with China, U.S. beef is likely to benefit in 2020.

Live Cattle Futures - Weekly

Lean Hogs

Lean hog futures continued the downslide in November from the October 1st high. Lean hogs popped up from November 1st to November 6th, but by the end of the month December lean hog futures were hovering above $60.00/cwt. China dropped tariffs in the first week of November for U.S. poultry. Livestock markets, especially hogs, expected the same would take place. When nothing was said about dropping pork tariffs, or allowing meat purveyors in China waivers, hog futures took the news as negative and sold off to end November on a weak note.

With U.S. federal slaughter up 4.0% year to date by the end of November, the pork industry ran into a wall. Although there is physical plant capacity to slaughter more hogs in the U.S., the packing industry has a problem finding enough labor that is trained or willing to work in the packing industry. With low unemployment in the U.S. and with packers mainly in rural areas, the current U.S. work force has the ability to choose location where to work and jobs that offer pay and benefits that are similar to the packing industry.

Lean Hog Futures - Weekly

Charts by QST

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

*The following report is an overview as of **December 23, 2019** and is intended to be informative and does not guarantee price direction.*

Stock Index Futures

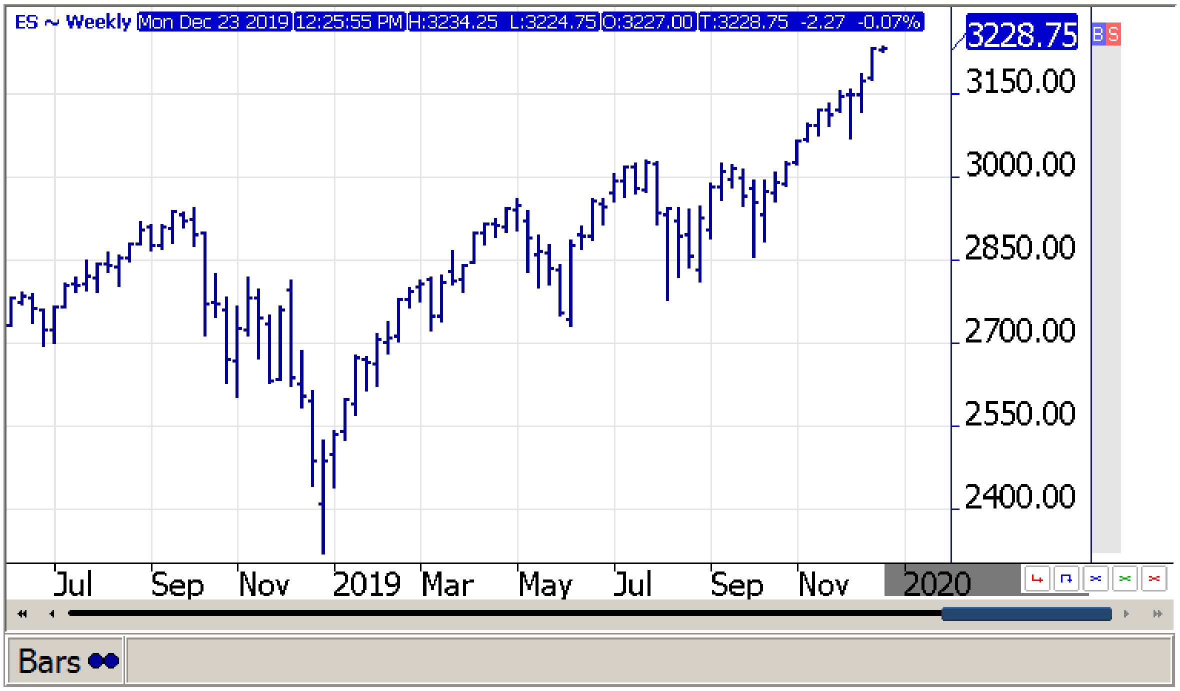
S&P 500, Dow and NASDAQ futures advanced new record highs due to U.S.-China trade optimism. Recently, U.S. Trade Representative Robert Lighthizer said there would be some routine “scrubs” to the text, but that it was “totally done,” and that the date for the formal signing of the agreement was being worked out.

The preliminary deal suspended U.S. tariffs on $160 billion of Chinese imports that were scheduled to take effect on December 15th and reduced some duties in exchange for increased purchases of U.S. agricultural, manufactured and energy products by China.

In addition, there was support from the election victory for U.K. Prime Minister Boris Johnson's Conservative Party, which increased hopes for a quick divorce from the European Union. Also, there is the ongoing bullish influence of the relatively low global interest rate environment.

My view remains that the round of central bank interest rate cuts in 2019 is finally doing its intended job of stabilizing the global economy, which will likely support stock index futures for the rest of 2019 and into the first part of 2020.

S&P 500 Futures - Weekly



U.S. Dollar Index

There was support for the U.S. dollar on news that construction of new homes in the U.S. increased in November, according to the Commerce Department. Housing starts were up 3.2% in November from October to a seasonally adjusted annual rate of 1.365 million. Economists expected starts would rise by 2.0% to an annual pace of 1.34 million. Residential permits advanced 1.4% from the previous month to a seasonally adjusted annual rate of 1.482 million. Economists anticipated they would fall 3.5% to 1.410 million permits.

In addition, the greenback was underpinned when Federal Reserve Chairman Jerome Powell said the Federal Reserve would like to see a move in inflation that is significant and persistent before it increases interest rates again. The Federal Reserve held rates steady and indicated it was on hold with no intention now of moving off the sidelines, unless there is a surprise change in the economic outlook.

In the longer term, the U.S. dollar index is likely to edge higher against other major currencies, as interest rate differential remain slightly bullish for the greenback.

Euro Currency

The euro currency drifted higher in December due to growing indications the economy of the euro zone is beginning to stabilize. German business sentiment strengthened to a six-month high, according to survey data from the Ifo institute. The business climate index improved to 96.3 in December from 95.1 in November. This was the highest score since last June and was above the estimate of 95.5. The euro firmed in spite of news that German manufacturing orders fell in October on the month. Manufacturing orders declined 0.4% in October when economists had forecast a 0.2% increase.

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

Crude Oil

After bottoming in early October, crude oil futures have trended higher. Much of the recovery appears to be linked to indications that the trend of lower interest rates globally has done its intended job of stabilizing the world economy. The Organization of the Petroleum Exporting Countries decided earlier in December to extend its output cuts in a bid to raise prices. This initiative appears to be successful.

Uncertainty around the world trade situation weighed on global economic growth and forecasts for oil demand in recent months. However, economic indicators have recently improved. In addition, market sentiment was boosted by the postponement of new tariffs between the U.S. and China.

If I am correct in my thinking that the global economy will continue to stabilize, it is likely that demand will improve and lead to higher prices for crude oil futures.

Gold

Gold futures have trended lower since the highs were made in early September. Much of the pressure was associated with the belief that central banks around the world are likely to push farther out into the future additional easing measures. Also, there has been flight to quality long liquidation in light of the overall more optimistic outlook for a U.S.-China trade agreement.

More recently, there has been a technical improvement, as futures appear to be breaking out above a four-month downtrend line even though investors remain cautious about the world economy and geopolitics, and in spite of record highs in U.S. stock index futures.

Longer term, the outlook remains bullish on balance for gold futures, as the Federal Reserve and other major central banks may continue to lower interest rates, but likely at a much more moderate pace.

Gold Futures - Weekly

Charts provided by QST

Support and Resistance

Grains

March 20 Corn

Support	3.65	Resistance	4.05

March 20 Soybeans

Support	8.80	Resistance	9.70

March 20 Chicago Wheat

Support	5.00	Resistance	5.70

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Livestock

February 20 Live Cattle

Support	120.00	Resistance	129.87

February 20 Lean Hogs

Support	63.00	Resistance	71.75

Stock Index

March 20 S&P 500

Support	3180.00	Resistance	3250.00

March 20 NASDAQ

Support	8680.00	Resistance	8800.00

Energy

February 20 Crude Oil

Support	59.40	Resistance	63.00

February 20 Natural Gas

Support	2.150	Resistance	2.350

Metals

February 20 Gold

Support	1470.0	Resistance	1515.0

March 20 Silver

Support	17.150	Resistance	18.200

February 20 Copper

Support	2.5950	Resistance	2.6700

Currencies

March 20 US Dollar Index

Support	96.850	Resistance	98.000

March 20 Euro Currency

Support	1.10900	Resistance	1.12000

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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 **20 December 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 more signs showing the Asian economy is stabilizing. Most of the region's PMIs stopped dropping and some even rebounded. Interest rates in the region generally remained unchanged. Skyrocketing pork prices contributed to the strong CPI readings in China.

CHINA

- In November, China's manufacturing sector improved. The CAIXIN China manufacturing PMI increased to 51.8 from last month's 51.7, the best reading since 2017. New orders edged down from last month, but still maintained a relatively high level. New export orders also slightly fell compared to October, but managed to stay in expansion. Some surveyed manufacturers said that both domestic and overseas demand improved. And employment stabilized after seven months of contraction. The employment index significantly rebounded to expansion in November, which is the second expansion reading since March. Despite positive signs, business confidence hasn't seen a significant improvement, due to the impact of the uncertainties of the SINO-U.S. trade dispute.
- Rapidly climbing pork prices, which increased 110.2% from last year, are taking a toll on China's consumer inflation reading. China's November CPI increased 4.5% year-on-year, which is the first time it went above 4.0% since January 2012. Higher pork prices led to a chain reaction in food prices, which increased 19.1% year-on-year, contributing 3.72% to the CPI. But monetary tightening measures aren't expected because the inflation rate that excludes food prices is just 0.77%. In the meantime, a key indicator of corporate profitability, the PPI, fell 1.4% on the year, which is the fifth decline in a row. Weak prices are mainly seen in oil and gas extraction and chemical fiber manufacturing sectors. As Spring Festival approaches and pork prices haven't shown signs of turning around, China's CPI is expected to climb even higher in the months to come. The PPI is likely to remain subdued, as there isn't too much room for infrastructure investment to grow.

- China's exports continued to decline in November, as trade negotiations with the U.S. are ongoing. Exports in dollar terms fell 1.1% year-on-year, while imports edged up 0.3%, resulting in a $38.73 billion trade surplus. Exports to the U.S. declined 23% in November, thanks to elevated tariffs on China's goods. On December 13th, China and the U.S. announced a "phase one" trade deal, in which the U.S. agreed to suspend tariffs on $160 billion worth of Chinese imports that were planned to take effect on Dec 15th and lower the September 1st tariffs from 15% to 7.5%. In return, China agreed to purchase huge amounts of U.S. products and make "structural" changes to its economy.
- In November, China imported 8.28 million tons of soybeans, up 54% from 5.38 million tons a year ago, as U.S. soybean cargoes arrived. On a monthly basis, the imports increased 34%. In the first 11 months of the year, China imported 78.97 million tons of soybeans, down 4.0% from the same period last year. In recent months, China has been buying more U.S. beans after the government offered some of them waivers to buy American cargoes exempt from extra tariffs, in a goodwill gesture to Washington. On December 6th, China announced that more waivers on soybean shipments will be offered as the two countries were trying to reach a "phase-one" deal.

OTHER ASIAN COUNTRIES

- Japan's December manufacturing PMI remained in the contraction zone, at 48.8 and slightly lower than November's 48.9. However, the services PMI improved further in December to 50.6, higher than November's 50.3. November inflation rose 0.5% year-on-year, higher than the market expectation. Some Bank of japan policymakers called for increasing banks' profitability by downsizing the number and asset holdings.
- The Bank of Korea decided to maintain the current interest rate level, as expected. The board expected GDP growth would be 2.0% this year, but will be lower in the next year amid the uncertain outlook for the global economy. The country in November recorded its first positive consumer prices growth in the last three months at 0.2% year-on-year, but still below analyst's expectations. Exports dropped 14.3% year-on-year in November, missing forecasts and marked the twelfth month of annual losses.
- The Reserve Bank of Australia maintained its key interest rate at 0.75% in November. The unemployment rate remained at 5.2% and wages increased steadily at 2.2%. The inflation rate rose to 1.7%. However, Australia's November manufacturing PMI dropped significantly from 51.6 to 48.1, while the services PMI is at 53.7. The RBA indicated it is open to ease monetary policy further, if it is necessary for sustainable growth in the economy.
- The Reserve Bank of New Zealand also kept interest rates unchanged. However, even though the impact of the global slowdown remains a negative influence, the domestic

economy is still strong. The unemployment rate is 4.2%. Inflation rates remains below the 2.0% target, but within the target range of 1.0%-3.0%. More significantly, exports increased from N$ 5.01B to N$ 5.23B. Therefore, The RBNZ reached a consensus to keep the OCR at 1.0%, but remain open to a rate cut, if economic developments warranted it.