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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 **January 16, 2020.** 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. and China Phase 1 trade deal helped trigger new buying in soybeans and corn. Soyoil made new highs on talk of lower world palm oil supply and record high China vegoil imports. The USDA's January crop report failed to satisfy the bulls. The big market news was the signing of a new Phase 1 trade deal between the U.S and China. In general, the market was disappointed that there was not more detail in the announcement. The market price reaction was negative, especially after China said it would buy U.S. agricultural goods based on needs and price. Most analysts believe that later this year China will begin to buy U.S. agricultural goods under the agreement.

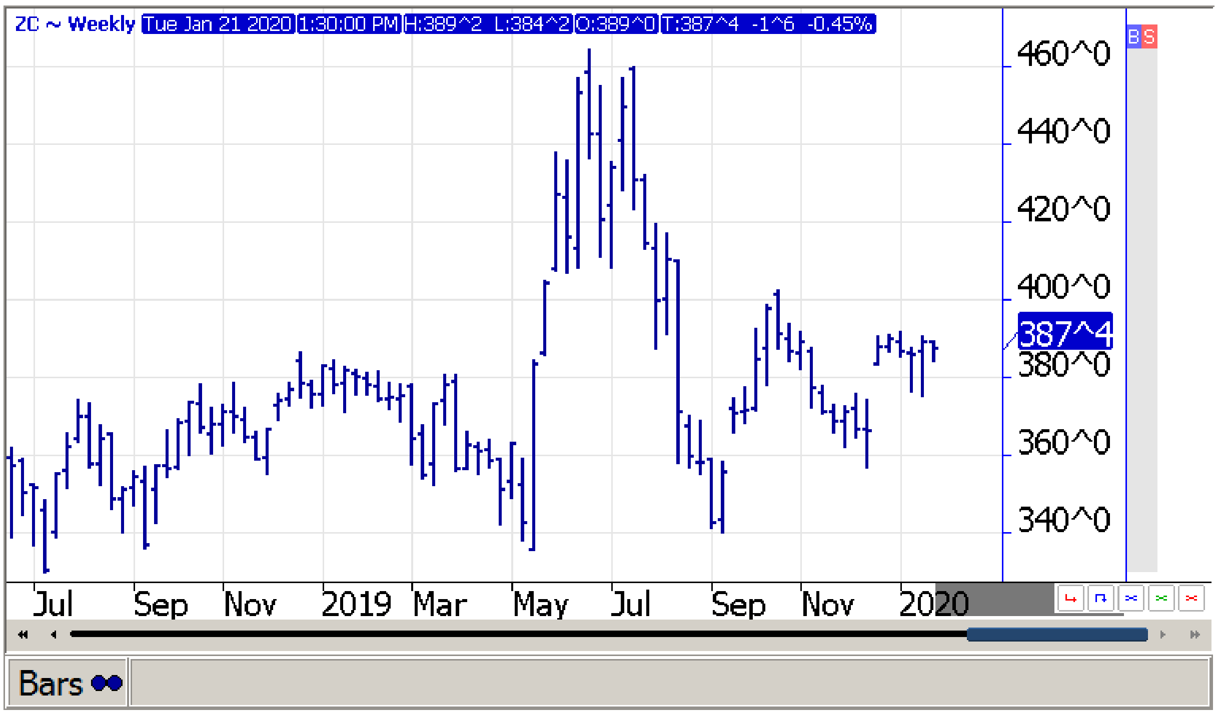
South American weather is mostly good for 2020 crops. The USDA estimates the Brazil 2020 soybean crop will be near 123.0 mmt versus 117.0 last year. The Argentina 2020 soybean crop is estimated to be near 53.0 mmt versus 55.3 last year and the USDA estimated the Brazil 2020 corn crop will be near 101.0 mmt versus 101.0 last year. The Argentina 2020 corn crop is estimated to be near 50.0 mmt versus 51.0 last year.

In January, the USDA estimated world 2019/20 corn end stocks at 297.8 million tonnes. The decline was due to lower China supplies. The USDA estimated total world corn exports to be near 165.6 million tonnes with U.S. exports estimated to be near 45.0 million tonnes. The USDA left the U.S. 2019 corn crop at 347 million tonnes.

The USDA increased slightly its world 2019/20 soybean end stocks to near 96.6 million tonnes. Total world exports are estimated to be near 149.1 million tonnes and U.S. exports are estimated to be near 48.3 million tonnes. The USDA estimates China's 2019/20 soybean imports at 85.0 million tonnes, versus 82.5 last year. March soybean futures have now backed off of key resistance and will need new U.S. export demand, or bad weather to push back over resistance.

The USDA lowered its estimate of world 2019/20 wheat end stocks to 288.0 million tonnes, versus 278.0 last year. The decline was due to lower EU supplies. The USDA estimated the world 2019/20 wheat crop at 764.3 mmt versus 731.4 last year. The USDA estimated U.S. 2020 winter wheat acres near 30.8 million versus 31.16 last year. Wheat prices have traded higher than expected on talk that China may buy U.S. wheat in the new trade agreement and that Russia could control and maybe limit 2020/21 wheat exports.

Corn Futures - Weekly



Charts from QST

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

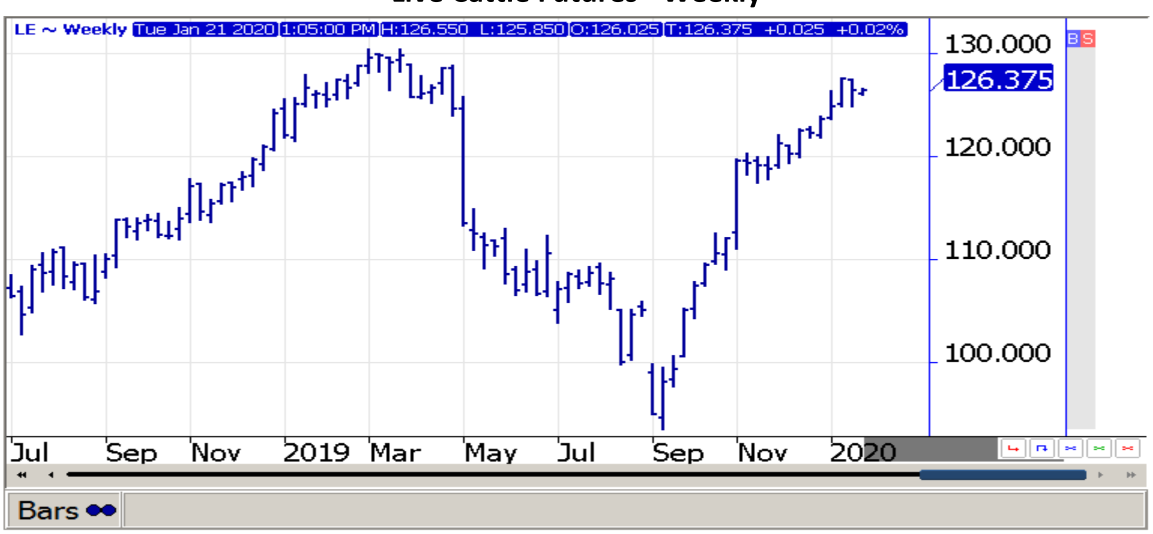
The following report is an overview as of January 17, 2020 and is intended to be informative and does not guarantee price direction

Live Cattle

December live cattle futures settled at $124.70/cwt on December 31st, .05/cwt off the contract high. December 2019 futures rallied $26.50/cwt off the low of $98.20 that was made on September 9, 2019. A firmer cash cattle market developed in the first week of December when Tyson Fresh Meats reopened its Holcomb, Kansas facility after the August fire. Throughout December packers were pushing as many cattle through the plants as possible because of outstanding profit margins near $290/head, and by the end of the month profit margins were still a healthy $100/head.

Going forward into 2020, there are global fundamentals to watch. Australia is in the third year of a devastating drought. Beginning in 2018 Australia liquidated 6.18% of their cattle, and in 2019 the early estimates show continued liquidation of 4.4%. Estimates for 2020 put liquidation at 3.5%. Both 2019 and 2020 estimates will likely increase. Australia is a global exporter of beef. The U.S. imports close to 25% of its total beef imports from Australia and is the largest buyer of Australian beef. Because of the Trans Pacific Partnership, Japan buys frozen beef from Australia and needs to buy from Australia to fulfill their side of the agreement. China and South Korea are large importers of Australian beef. Because of the liquidation, global beef buyers will need to source beef outside of Australia. Brazil will increase its exports as will the U.S. and the U.S. also will need to find supplies that Australia met.

Live Cattle Futures - Weekly



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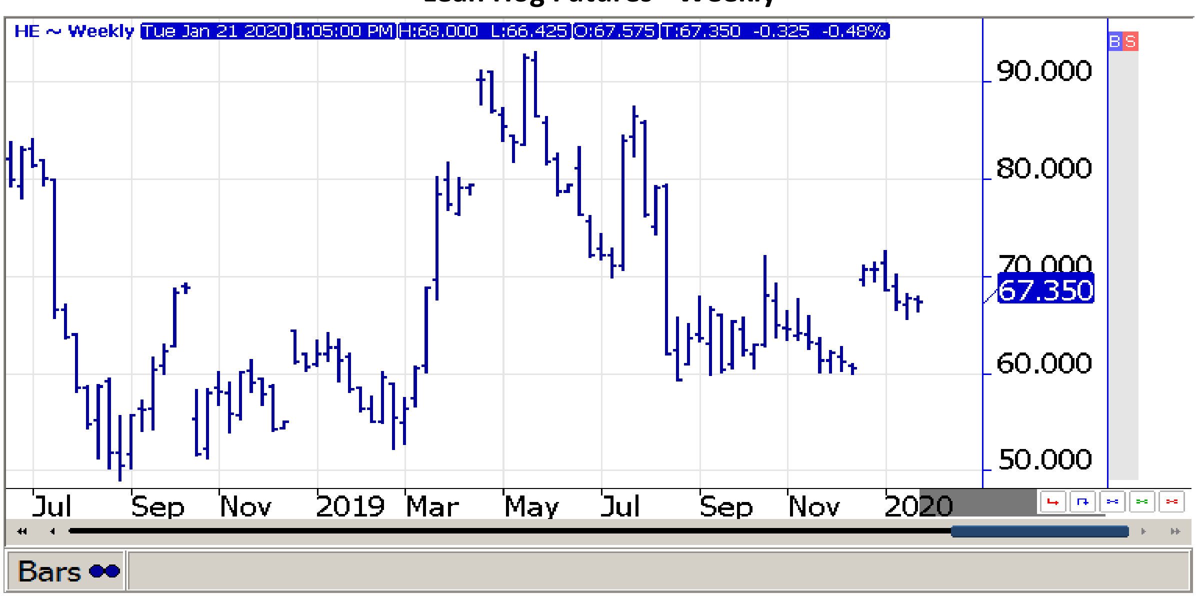
Lean Hogs

Even with record pork buying from China in 2019 through December 2019, the cash hog market and lean hog futures didn't rally as much as many in the U.S. pork industry hoped. When December 2019 lean hog futures settled at $60.475/cwt, it was $5.525/cwt better than it settled in December 2018. As the U.S. pork industry waited to see how much China would buy to finish out 2019, exports to Mexico, the year after year largest buyer of U.S. pork, dropped 11%, along with Japan buying 6% less, South Korea taking 12% less and Hong Kong down 33%. At the same time, the U.S. federal hog slaughter was up over 4%year to date.

The U.S. packing companies have increased capacity with two new large facilities in northwest, Iowa. But with the low unemployment rate and tougher immigration policies, both facilities have problems finding labor. With the USDA predicting more hogs in 2020, if packers cannot increase their ability to kill more hogs, it could become a problem of having too many hogs available for slaughter and not enough capacity to use them. It could weigh on hog prices even at a time when demand for global pork demand increases. The Chinese Veterinarian Services has predicted that by the end of 2020, hog production in China could be back to levels before African swine fever began in August 2018. Besides expansion in the U.S, global expansion is taking place with countries wanting a piece of the China demand pie. For 2019, even with new record U.S. exports to China, the U.S. pork exports were under 15% of the total pork China imported. Global expansion is taking place in the European Union countries of Portugal, Spain, Germany and Netherlands. Russia is quickly expanding with agreements and investments from China and Brazil is expanding with new trade agreements and investors funding the growth from China.

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 **January 21, 2020** 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 after the U.S. and China signed the historic "phase-one" trade agreement. In addition, geopolitical tensions remained in check and traders looked ahead to the beginning of earnings season.

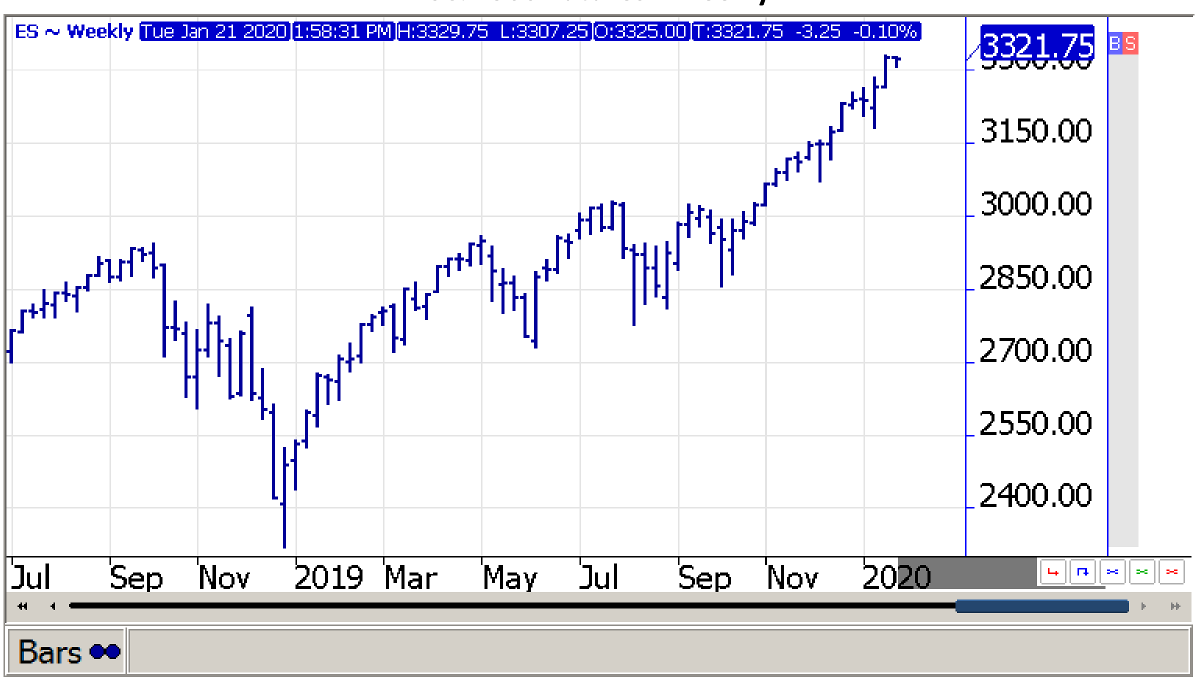
Traders will be watching closely, as U.S. companies report their latest quarterly earnings reports over the next several weeks. Fourth quarter earnings for companies in the S&P 500 are expected to decline 2.1% from a year earlier, but analysts expect earnings growth will improve in 2020.

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.

I anticipate U.S. stock index futures will trend higher in the first quarter of 2020.

S&P 500 Futures - Weekly



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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.

However, not all of the economic reports were bullish. U.S. nonfarm payrolls increased 145,000 in December, which came in below the market consensus of 158,000 new positions. Private payrolls were up 139,000 when a gain of 150,000 were anticipated. Average hourly earnings increased 0.1% when a gain of 0.3% was estimated.

Inflation in the U.S. appears to be muted. The producer price index, which is a measure of the prices businesses receive for their goods and services, was up a seasonally adjusted 0.1% in December from a month earlier. Economists had expected prices to increase 0.2%. The producer price index, excluding the often volatile food and energy categories, was also up 0.1% in December from the prior month when up 0.2% was anticipated.

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

Euro Currency

The euro currency traded lower in January due to mostly weaker than expected economic reports. Bank lending to businesses in the euro zone slowed in November. The annual growth rate of adjusted loans to nonfinancial corporations fell to 3.4% in November from 3.8% in October, according to the European Central Bank. In addition, money supply growth slowed in November with the annual growth rate of M3 declining to 5.6% from an upwardly revised 5.7% in October. Economists had forecast a rate of 5.7%.

Also, the unemployment rate in Germany increased more than expected in December. The number of people out of work rose by a seasonally adjusted 8,000, which was twice the increase of 4,000 that economists had predicted.

However, inflation in the euro zone is showing signs of increasing. The German consumer price index increased to 1.5% on a yearly basis in December from 1.1% in November, which is slightly more than the market expectation of 1.4%.

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. Also, economic indicators have recently improved.

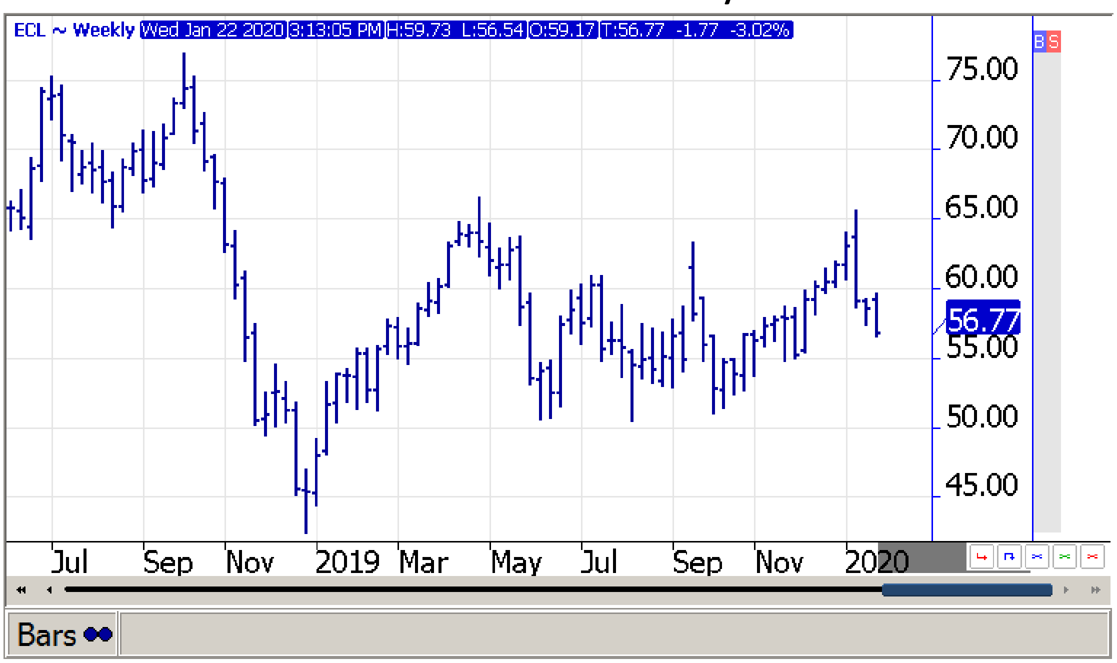
The Organization of the Petroleum Exporting Countries decided earlier in December to extend its output cuts in a bid to raise prices, which appears to have been successful. Heightened tensions between the U.S. and Iran caused futures to spike up to 65.40 level.

In addition, market sentiment was boosted by the U.S. and China signing the long awaited "phase one" trade deal.

More recently, U.S. benchmark oil prices fell toward a seven-week low, being dragged down by market risk aversion due to the outbreak of a respiratory virus in China and concerns the outbreak could further weaken global oil demand.

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.

Crude Oil Futures - Weekly



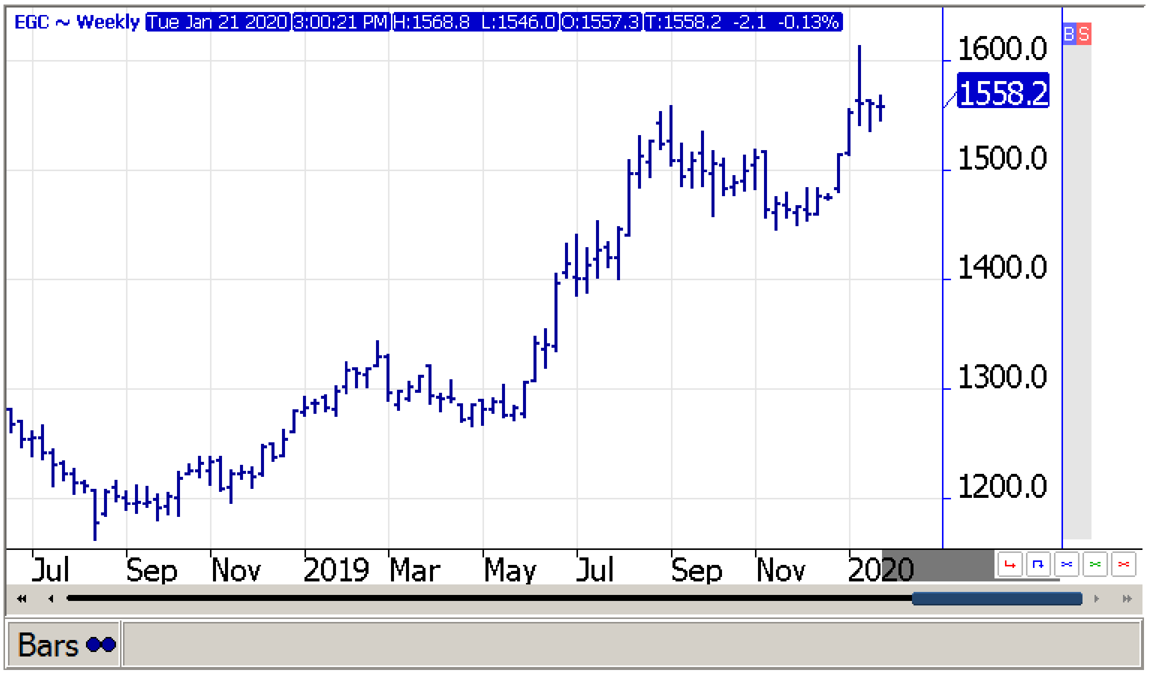
Gold

Gold futures advanced in late December through the first part of January, after breaking out above a four-month downtrend line. Increased hostilities between the U.S. and Iran caused gold futures to spike higher in a flight to quality move to the 1613 level.

Since then, there has been selling pressure, as geopolitical pressures ease, along with the bearish influence of the U.S.-China signing the "phase-one" trade agreement.

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 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 5.15 Resistance 5.80

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Livestock

February 20 Live Cattle

Support	121.50	Resistance	129.05

February 20 Lean Hogs

Support	62.50	Resistance	70.50

Stock Index

March 20 S&P 500

Support	3250.00	Resistance	3360.00

March 20 NASDAQ

Support	9050.00	Resistance	9320.00

Energy

March 20 Crude Oil

Support	57.25	Resistance	62.10

March 20 Natural Gas

Support	1.780	Resistance	2.060

Metals

February 20 Gold

Support	1535.0	Resistance	1590.0

March 20 Silver

Support	17.500	Resistance	18.380

February 20 Copper

Support	2.7750	Resistance	2.8500

Currencies

March 20 US Dollar Index

Support	96.850	Resistance	97.650

March 20 Euro Currency

Support	1.11020	Resistance	1.11900

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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 **16 January 2020**. 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 signing the “phase-one” trade deal with the U.S. that might have a positive impact on the regional economy. Bush fires in Australia could have a negative impact on the economy and the market expects the Reserve Bank of Australia might need to cut rates rate again.

CHINA

- In December 2019, the CAIXIN China manufacturing PMI ended a five month recovery and edged down to 51.5 from last month’s 51.8, but managed to stay in expansion and was significantly better than the first quarters in 2019. Although production continued to increase, both new orders and new export orders softened compared to November. At the same time, confidence towards the 12-month business outlook remained relatively weak, and staffing numbers stagnated. Economists are expecting more recovery in business confidence as a “phase-one” trade deal between China and the U.S. is going to send out positive signals. China’s official manufacturing PMI came in at 50.2, the same as last month.

- China’s consumer prices rose 4.5% year-on-year in December 2019, unchanged from November’s increase, but lower than analysts’ forecast of 4.7%. Similar to previous months, the increase was mainly fueled by surging pork prices as African swine fever kept ravaging China’s hog herds. But the core consumer inflation rate that excludes food and energy prices, remained subdued at 1.4% year-on-year. The PPI fell 0.4% from a year earlier, compared with a drop of 1.4% in November. For year 2019, the PPI was down 0.3% versus a rise of 3.5% in 2018. Even though the CPI is likely to remain elevated, but as recent policies to stabilize production and recover hog herds take effect, it won’t be a constraint to monetary policy. The People’s Bank of China is expected to further lower reserve requirement ratios in the second quarter.

- China's exports in dollar-dominated terms posted growth of 7.6% year-on-year in December, which is the first increase since July 2019. The better-than-expected increase was attributed to three factors: a low comparative basis, the earlier Chinese New Year holiday and the de-escalation of SINO-U.S. trade friction. Meanwhile, imports climbed 16.3% to a $47.69 billion trade surplus in December. The eased tensions between China and the U.S. significantly improved enterprises' confidences. In the monthly survey of 3,000 companies specializing in foreign trade conducted by the General Administration of Customs, the number of companies that are optimistic about the export situation in the next two to three months increased in December to the highest level since the second half of 2018.

- In December, as cargoes booked earlier from Brazil and the U.S. cleared customs, China's soybean imports surged 67% from a year earlier to a 19-month high of 9.54 million tons. On monthly basis, the shipments were up 15%. For year 2019, China's soybean imports totaled 88.51 million tons, which is almost no increase compared to 88.03 million tons in 2018, thanks to higher tariffs on U.S. soybeans and subdued soybean demand by African swine fever. As China's pig inventories start to rise and the "phase-one" deal with America is signed, under which China is expected to purchase $40-50 billion of agricultural products every year, soybean imports from the U.S. will likely significantly recover in 2020.

OTHER ASIAN COUNTRIES

- Japan's manufacturing PMI in December dropped to 48.4 from 48.8, matching a more than three-year low last touched in October 2019, while the service PMI fell into the contraction zone again, dropping to 49.4 from 50.6. The Bank of Japan's monetary policy remained unchanged. Although some economic indicators were disappointing, the committee members of Bank of Japan still are optimistic predicting a moderate economic expansion based on growing domestic demand, as income and spending levels are maintained in both the corporate and household sectors. They were convinced that the inflation rate year-on-year is likely to increase gradually toward 2.0% because of the positive output gap. The Bank of Japan Governor Haruhiko Kuroda delivered a strong signal that more monetary easing could happen if the 2.0% inflation goal came under threat.

- Korea recorded a positive consumer price index in December. The CPI rose 0.7% year-on-year. However, the average rate of inflation for 2019 is at a record low of 0.4% and is far lower than the central bank's target rate of 2.0%. Exports dropped 5.2% year-on-year, but outperformed the expectation. Despite the decline in the exports and the record low

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inflation rate, the Bank of Korea is expected to freeze interest rates at 1.25% at the January meeting because of the expectation of a chip market recovery.

- While Australia is experiencing 2.25% strong economic growth this year and is expecting stronger growth in the next two years, Australia's recent bush fires could lead to serious damage to consumer sentiment, retail spending and tourism. As a consequence, further rate cuts are expected to prevent an economic recession. The Reserve Bank of New Zealand kept its main interest rate at 1.0%. The third quarter GDP annual growth rate rose to 2.3%.

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