ADM Investor Services, Inc.

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 ***March 14, 2018.*** *This report is intended to be informative and does not guarantee price direction.*

From mid-February to mid-March soybean futures have traded lower. This is due to concerns about lower U.S. exports. Corn and wheat futures trended mostly higher as funds covered short positions. In March, the USDA raised the 2017/18 soybean and wheat carryout due to lower exports. The USDA lowered the U.S. 2017/18 corn carryout due to higher exports. Despite continued dry weather in Argentina, some feel soybean prices may have factored in the lower crop and now look forward to the USDA acreage report and U.S. spring weather.

May soybeans are near $10.40. May corn is near 3.87. May Chicago wheat is near 4.79 and the Dow Jones Index is near 24,700 after a wild ride. May crude oil futures are near $61.15 on too much U.S. supply. Global geopolitical issues have kept currency and financial markets volatile. Growing global economies remain supportive to equities. China's new infrastructure policy could continue to help some commodities. Uncertainty over the outcome of NAFTA could limit the upside in corn prices.

United States

USDA estimates U.S. 2017/18 corn carryout near 2,127 (-225)

USDA estimates U.S. 2017/18 soybean carryout near 555 (+25)

USDA estimates U.S. 2017/18 wheat carryout near 1,034 (+25)

World

World 2017/18 corn end stocks at 199.2 mmt (-3.9)

World 2017/18 soybean end stocks was estimated at 94.4 mmt (-3.7)

World 2017/18 wheat end stocks was estimated near 268.9 mmt (+2.8)

Argentina

The USDA estimate of the Argentina 2018 soybean crop is at 47.0. In addition, 2018 corn was estimated at 36.0. Recent data suggests the economic recovery has stumbled. While data from the real sector is positive, with economic activity expanding in December and industrial production rebounding in January, there is growing evidence that imbalances are building.

Brazil

The USDA Brazil 2018 soybean crop is estimated to be near 113.0. The Brazil 2018 corn crop is estimated to be near 94.5 mmt. Growth accelerated notably in the last quarter of 2017, although it fell short of market expectations. It was led by strengthening household spending on the back of falling unemployment and low inflation and a turnaround in fixed investment. According to available indicators, the positive economic momentum seems to have carried over into the first quarter of this year.

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

Stock Index Futures

Since the lows were made in early February there has been a dramatic recovery. In fact, NASDAQ recently more than just recovered, it traded at new record highs, while the Russell 2000 is very close to record highs.

The recovery was not straight up. Stock index futures fell when President Donald Trump announced plans to impose import tariffs of 25% on steel and 10% on aluminum and later after the resignation of National Economic Council Director Gary Cohn, who announced plans to step down due to a disagreement with President Trump over trade policy.

Stock index futures advanced after the White House appeared to be softening its position on trade tariffs, even before an executive order was signed by President Trump. Also, there were reports that an advisor to President Trump said Mexico and Canada would be initially excluded from the proposed tariffs. There were additional gains when North Korea indicated it is willing to talk to the United States about giving up its nuclear weapons.

The bullish on balance economic fundamentals continue to dominate, which includes news that nonfarm payrolls jumped by 313,000 last month, which compares to the 205,000 median estimate. The increase in payrolls was the largest since July 2016. Also, the unemployment rate remained unchanged at a 17 year low at 4.1% and the average workweek rebounded to 34.5 hours after falling to 34.4 hours in January.

In the short term futures have been adversely affected by escalating trade tensions, along with ongoing political turmoil in Washington. However, the long term outlook for S&P 500, Dow Jones, NASDAQ and Russell 2000 futures is higher.

U.S. Dollar

In mid-February the U.S. dollar fell to a three year low on ideas that overseas central banks would be increasing interest rates or withdrawing accommodation faster than the Fed would be increasing interest rates. 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.

Currently interest rate differential expectations appear to be slightly bearish on balance for the U.S. dollar as analysts now believe the Fed is likely to hike rates only three times this year.
The greenback is likely to trend lower over the near term.

Euro Currency

The euro currency advanced when the European Central Bank dropped a long standing promise at its recent meeting to increase bond purchases, if needed. This was viewed as a small step towards taking the euro zone economy off its extended stimulus program.

The euro currency only temporarily declined on news that euro zone retail sales fell for a second straight month in January and German factory orders declined 3.9% in January. There appeared to be little market impact when the results of the Italian elections were released, which showed the anti-establishment and far-right parties did much better than expected.

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

Crude Oil

Since late February, crude oil futures have been trading in a triangle congestion pattern. Recent signs of growing global oil demand have been offset by surging U.S. shale production. According to the International Energy Agency, global oil demand should grow by 1.5 million barrels a day to an average of 99.3 million barrels a day this year. This estimate was an upward revision of 90,000 barrels a day. According to the agency, strong demand should help offset increased U.S. shale oil production, largely keeping the oil market in balance this year.

The Organization of the Petroleum Exporting Countries increased its forecast for U.S. shale production. OPEC said it now expects U.S. shale production to average 5.72 million barrels a day in 2018, which is a month to month upward revision of 130,000 barrels a day.

Crude oil futures are likely to break out to the upside due to an improving global economy.

Gold

Since mid-February, gold futures have been weighed down by a stronger U.S. dollar, along with worries about the impact of higher interest rates. A stronger U.S. currency makes gold and other commodities denominated in the U.S. dollars more expensive for overseas buyers.

In addition, analysts have been keeping an eye on recent economic reports for clues about how quickly the Federal Reserve might hike interest rates this year. Lows for the gold market in the first part of March coincided with the growing consensus view that the Federal Open Market Committee could increase interest rates four times in 2018. However, there as some recovery when the consensus view on FOMC policy reverted to only three fed funds rate increases this year.

Gold has a tendency to decline before an anticipated fed rate increase over the past few years. The central bank is widely expected to boost rates at its two day meeting ending March 21.

Expect gold futures to trade higher after the FOMC meeting is out of the way.