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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 ***November 14, 2017.*** *This report is intended to be informative and does not guarantee price direction.*

From mid-October to mid-November soybean futures tried to firm on concern about South America weather. Corn and wheat futures traded mostly sideways. In November, the USDA estimated the U.S. 2017 corn crop higher than expected and 2017/18 soybean carryout was not lower as much as expected. 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 soybean and soy oil contracts. March soybeans are near $9.88. March corn is near $3.54. March Chicago wheat is near 4.44.

The S&P 500 index is near 2575. January crude oil futures are near $57.00. December gold futures are near $1,281. Global geopolitical issues have kept currency and financial markets volatile. Growing global economies though remain supportive to equities. China’s new infrastructure policy could help certain commodities.

United States

USDA estimates U.S. 2017/18 corn carryout near 2,487 (+147)
USDA estimates U.S. 2017/18 soybean carryout near 425 (-5)
USDA estimates U.S. 2017/18 wheat carryout near 935 (-25)

World

World 2017/18 corn end stocks at 203.9 mmt (+2.9)
World 2017/18 soybean end stocks was estimated at 97.9 mmt (+1.9)
World 2017/18 wheat end stocks was estimated near 267.5mmt (-0.6)

Argentina

The USDA's estimate of Argentina's 2018 soybean crop is 57.0 and 2018 corn was estimated at 42.0. President Mauricio Macri was unequivocally backed by the Argentine electorate in the second round of mid-term legislative elections held on October 22. Seen as an evaluation of Macri's first two years in power, the vote gives the president a strong mandate to pursue his pro-business reforms after two years of painful measures that targeted correcting market distortions. Markets reacted positively, with Argentine stocks, the peso and dollar bonds all rallying. The result is monumental, not only because it represents a dramatic shift in domestic politics, but also marks the best opportunity in decades to unshackle the economy from low productivity and enact pro-business reforms.

Brazil

The USDA's Brazil 2018 soybean crop is estimated to be near 108.0. Brazil's 2018 corn crop is estimated to be near 95.0 mmt. Consumer prices in October rose .42% over the previous month, which was above September's .16% rise. October's reading undershot analysts' forecasts of a more pronounced .47% rise. Higher prices were recorded for housing, transportation and three of the other seven categories of the index. Inflation rose slightly to 2.7% in October, after coming in at an 18 year low of 2.5% in September. Historically low price pressures have been good news for the battered economy and allowed the central bank space to pursue an easing cycle to support a recovery.

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

The following report is an overview of U.S. stock index, precious metals and currency futures as of November 14, 2017. This report is intended to be informative and does not guarantee price direction.

S&P 500, Dow Jones, NASDAQ and Russell 2000 futures registered new historical highs in November.

The bullish on balance economic fundamentals continue to dominate, which include better than expected corporate earnings. With third quarter earnings season winding down, over 80% of the companies in the S&P 500 having reported quarterly results, approximately 73% of them have surpassed earnings expectations, while 65% have exceeded revenue estimates. In addition, earnings for the quarter are anticipated to have climbed 8%, compared with expectations of a 5.9% increase at the beginning of October.

In addition, futures continue to be supported by the relatively low global interest rate environment and optimism about global economic growth. The bullish fundamentals more than offset geopolitical pressures, including the bearish influence of the ongoing tensions on the Korean peninsula.

More recently the increasing probabilities of a delayed U.S. tax reform have taken futures off of the highs. My belief is that tax reform delays will only temporarily get in the way of this bull market.

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

Energy

Crude oil prices advanced to their highest level since July 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.

However, gains were limed more recently after the International Energy Agency said that if the supply disruptions and geopolitical tensions that supported prices prove to be temporary, the market balance next year does not appear to be as tight as some would like it to be. Also, in its monthly oil report, the International Energy Agency reduced its crude demand growth outlook by 100,000 barrels a day for this year.

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. There was some support due to rising tensions in the Middle East, which boosted the safe haven appeal of the yellow metal. Investors are keeping a close watch on developments in the Middle East after Saudi Arabia detained hundreds of individuals in a corruption investigation and after increased tensions between Saudi Arabia and Iran.

From a technical point of view the 1375.00 level remains our next long term upside target. The influence of a strengthening global economy and the increased inflation that it brings should take precious metals futures higher.

U.S. Dollar

The U.S. dollar advanced since early September, making new highs for the move this month. Much of this strength is due to ideas that interest rates in the U.S. would rise faster than elsewhere in the world, especially after the dovish on balance European Central Bank policy statement.

The greenback only temporarily declined on the weak October U.S. nonfarm payrolls report. Nonfarm payrolls in October increased 261,000, which was the largest gain since July 2016, but was below economists' expectations for an increase of 310,000 jobs. In addition, average hourly earnings for private sector workers decreased by one cent or .04% last month to $26.53 an hour, which was below analysts' expectations for a .2% monthly gain.

More recently, the U.S. dollar came under pressure against most other major currencies due to the uncertainty over the fate of the U.S. tax reform bill.

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

Euro Currency

The euro currency has trended lower since early September as interest rate differentials turned against the currency of the euro zone. This belief was underscored due to the dovish on balance European Central Bank policy statement when it said its key interest rates would remain on hold well beyond the end of its asset purchase program. The ECB said it would reduce its monthly bond purchases to 30 billion euros a month from 60 billion and keep buying through September of 2018. While the level of monthly bond purchases is significantly reduced, the fact that the quantitative easing is extended through September 2018 is taken by many analysts to be a relatively dovish indication.

There was temporary support for the euro after the European Union said the economy of the euro zone is likely to exceed economic growth expectations for 2017. In addition, the E.U. said gross domestic product in the euro zone will grow by 2.2% in 2017, raising its forecast from 1.7% growth predicted in May.

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