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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 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 lower. The USDA November crop report failed to satisfy the bulls. Funds have since added to their net short corn position, reduced their net soybean longs and flipped from a small Chicago wheat long to a short position. Funds continue to add to their net soyoil longs. Funds remain record short Kansas City wheat futures. The U.S. 2019 corn and soybean harvest continues to be delayed due to wet and cold weather. The forecast is for normal temperatures and normal rainfall. The U.S. domestic corn and 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. Slow demand for U.S. corn, soybean and wheat exports and forecasts for normal 2020 world crop supplies could limit the upside in prices and even push 2020 prices lower.

In November, the USDA estimated world 2019/20 corn end stocks at 296 million tonnes. The decline was due to lower U.S. 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 lowered the U.S.

2019 corn crop to 347 million tonnes. The U.S. crop is late and November weather will be key. Demand bears continue to feel prices should trend lower into the fall.

The USDA left its world 2019/20 soybean end stocks to near 95 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. Soybean futures are trying to be supported by hopes for a U.S.-China trade deal. Resistance comes from declines in world protein demand, especially in China and talk of higher 2020 world soybean supplies.

The USDA increased slightly its estimate of world 2019/20 wheat end stocks to 288.3 million tonnes, versus 277.9 last year. The increase was due to higher E.U., Russian and Ukraine supplies. The USDA estimated the world 2019/20 wheat crop at 765.5 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 74.0 versus 71.7 last year. The E.U. crop is estimated to be near 153.0, 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 November 19, 2019 and is intended to be informative and does not guarantee price direction

Live Cattle

Live cattle futures, the cash cattle market and boxed beef continued the rally throughout October that began when live cattle futures bottomed on September 9, 2019. From the low on December cattle futures in September to the end of the month, December futures rallied $12.37/cwt. During October, futures remained strong and gained an additional $7.02/cwt surging $19.40/cwt in two months. The cash cattle market also rallied, as packers with estimated profit margins during October from $265/head to $290/head procured as many finished cattle that were available. October had stronger cash cattle prices. Prices started the month from $103.00/cwt - $105.00/cwt and by the end of the month, cattle were up close to $10.00/cwt. The boxed beef market was the driving force for the rally. Demand for high end cuts, especially choice primal rib sections moved boxed beef higher with the choice cutout starting October at $212.18/cwt and ending the month at $232.18/cwt. Choice primal rib sections were key for the beef rally and gained close to $53.00/cwt for the month. Meat purveyors were buying to fill out contracts for December holidays.

Live Cattle Futures - Weekly

Lean Hogs

It appeared as October began for lean hogs and cash hogs, the low prices of September were over, and October would see more follow-through to the upside. Meetings were scheduled between the United States and China to conclude trade tariffs. Weekly exports for pork showed China was buying U.S. pork and traders anticipated private meat traders in China would soon be buying versus buyers for Chinese storage facilities. As it happened since March 2018 when trade tariffs were announced and then in August 2018 when China reported African swine fever and it was thought China would, October 2019 was a disappointment to the U.S. pork market. October 1st ended up being the high for October with December lean hog futures peaking at $72.72/cwt and dropping down to $63.87/cwt on October 31st.

Lean Hog Futures - Weekly

Charts by QST

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

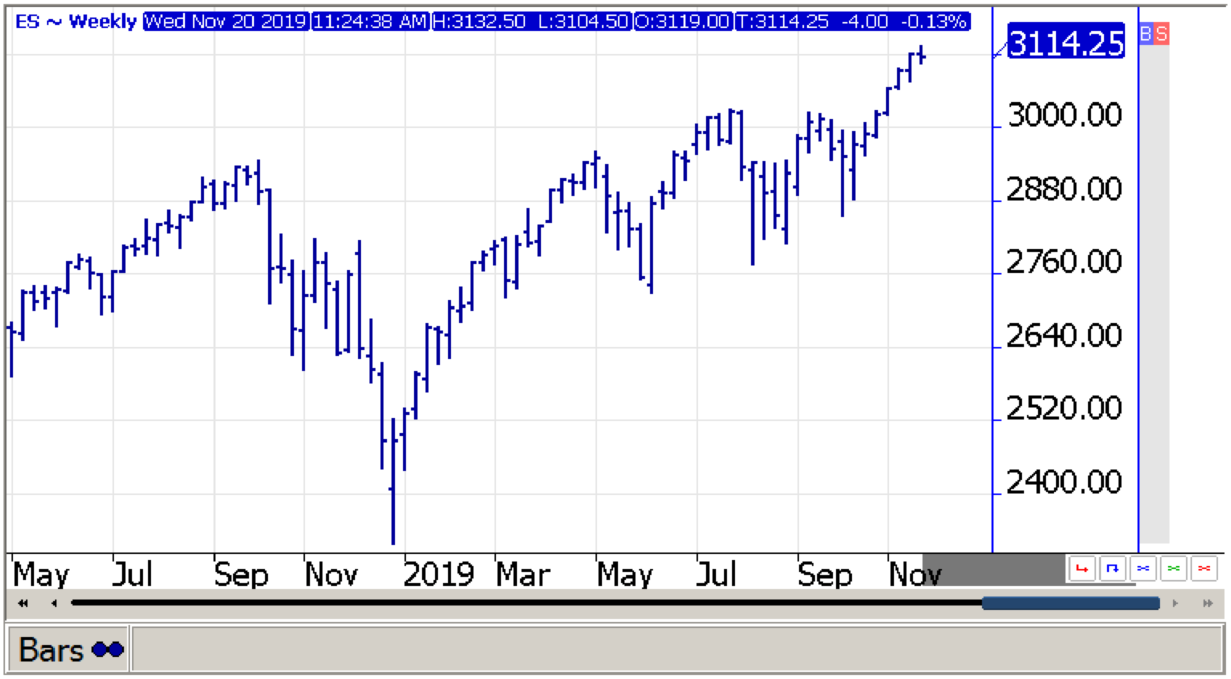
*The following report is an overview as of **November 20, 2019** and is intended to be informative and does not guarantee price direction.*

Stock Index Futures

S&P 500, Dow and NASDAQ futures advanced to record highs in November due to the primary ongoing bullish influence of the relatively low global interest rate environment. In addition, there was support due to hopes for a partial trade deal between the U.S. and China, including a possible delay in scheduled U.S. tariff increases. There were reports that Beijing would offer to eliminate forced joint ventures by January 2020. There were additional gains when the talks appeared to result in an actual agreement. There was only a temporary setback due to a report that China wanted more talks before signing a "phase one" trade deal with the U.S. Also, stock index futures were underpinned by mostly stronger than anticipated corporate earnings reports.

Traders appear to be focusing more on the bullish interest rate outlook and less on the ongoing trade tensions between the U.S. and China and the increased political tensions in the Middle East. My view remains that the global reflation scenario is on track and easier credit conditions from most of the world's central banks are coming and will be the dominant fundamental that supports stock index futures for the rest of 2019.

S&P 500 Futures - Weekly



U.S. Dollar Index

There was support for the U.S. dollar when Federal Reserve Chairman Jerome Powell in his testimony to the Senate Banking Committee and the House Budget Committee in Washington. DC. offered a generally upbeat assessment of the U.S. economy. Mr. Powell said during 90 minutes of testimony that officials believe their current policy stance is "likely to remain appropriate," as long as the economy grows moderately and the labor market remains strong.

There was some support for the greenback when the producer price index for October increased a seasonally adjusted 0.4% from a month earlier. Economists had expected prices to rise 0.3% from September. Excluding the often volatile food and energy categories, producer prices were up 0.3% in October from the prior month when up 0.2% was anticipated.

Better than expected U.S. corporate earnings reports supported the U.S. dollar, as the U.S. economy continues to hold up well. This is reflected in interest rate differential expectations that are slightly bullish for the U.S. dollar index.

In the longer term, the U.S. dollar index is likely to trend higher against other major currencies.

Euro Currency

The euro currency trended lower in the first part on November. Some of the selling was linked to news that that the International Monetary Fund lowered euro zone growth forecasts. The IMF said euro zone economic growth is likely to slow more than expected, as the manufacturing crisis could spill over into the larger services sector. The IMF said the euro zone economy would grow 1.2% this year, revising down its earlier estimates from April of 1.3% growth. In addition, the IMF said the euro zone economy would grow 1.4% in 2020 and 2021, reducing its previous estimate of 1.5% growth in both years.

There was some support for the currency of the euro zone after a survey of economists indicated the European Central Bank will keep its deposit rate unchanged through the first quarter of 2020. A previous survey showed the ECB would cut interest rates by an additional 10 basis points by the first quarter of 2020. This suggested the economy of the euro zone is stabilizing. However, the Bundesbank was not as optimistic when it said Germany's economy will probably stagnate in the fourth quarter and there is little sign of a rebound any time soon

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.

However, in the past few days there has been pressure due to new worries about excess oil supplies. U.S. crude futures fell 3.2% on November 19, which was their largest one-day drop since September 30. Recently, domestic supply increased to a new record of 12.8 million barrels a day, according to the Energy Information Administration. Many analysts are anticipating that global oil supplies will exceed demand next year. My analysis suggests the opposite will be the case.
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

Recent pressure on gold futures is linked to 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. However, from time to time limited flight to quality buying has emerged when geopolitical issues reemerge. In addition, there is a reduced demand for safe haven assets in light of a more optimistic outlook for the U.K.'s Brexit plan.

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

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Gold Futures - Weekly

Charts provided by QST

Support and Resistance

Grains

December 19 Corn

Support	3.60	Resistance	4.00

January 20 Soybeans

Support	8.80	Resistance	9.50

December 19 Chicago Wheat

Support	4.80	Resistance	5.40

Livestock

December 19 Live Cattle

Support	113.50	Resistance	122.62

December 19 Lean Hogs

Support	55.87	Resistance	68.87

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Stock Index

December 19 S&P 500

Support	3074.00	Resistance	3155.00

December 19 NASDAQ

Support	8180.00	Resistance	8420.00

Energy

January 20 Crude Oil

Support	55.70	Resistance	60.00

January 20 Natural Gas

Support	2.540	Resistance	2.800

Precious Metals

December 19 Gold

Support	1452.0	Resistance	1495.0

December 19 Silver

Support	16.650	Resistance	17.700

Industrial Metals

December 19 Copper

Support	2.6000	Resistance	2.6900

Currencies

December 19 US Dollar Index

Support	97.400	Resistance	98.450

December 19 Euro Currency

Support	1.10000	Resistance	1.11250

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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 November 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 China's economic data mostly missing forecasts, although there are signs the economy is stabilizing with the PMI hitting a 32-month high. Japan's service PMI dropped to contraction and is a red flag to the health of the economy. After a series of rate cuts, the Australian and New Zealand economy is stabilizing.

CHINA

- In October, the CAIXIN China manufacturing PMI rose to a 32-month high of 51.7 from 51.4 in September, thanks to renewed strength in exports. New export orders returned to expansion and reached the highest level since February 2018, which was mainly attributed to the U.S. move to exempt 400 types of Chinese products from additional tariffs. Business confidence for the 12-month outlook for output improved to its highest level since April with a number of firms saying they were optimistic that market conditions will strengthen. On the contrary, China's official manufacturing PMI, a competing gauge, dropped to an eight-month low 49.3 in October from 49.8 in September.
- Driven by soaring food prices, especially pork prices, which rose 101.3% compared to last year, China's consumer price index increased 3.8% year-on-year in October, which is the highest level since January 2012. Raging African swine fever has led to a 40% year-on-year decline in pork production. Livestock meat prices surged 66.8% from last year. But this did not appear to result in a change in monetary policy, because the core inflation rate that excludes food and energy prices remained tepid at 1.3%. The pork price alone accounts for about two thirds of the overall inflation gain. On the other hand, China's producer price index (PPI), which is a key indicator of manufacturing profitability has fallen 1.6% year-on-year, suggesting external demand remains weak and the current cyclical slowdown has not bottomed out yet.

- China's exports in October fell for the third month in a row, but at a slower pace compared to last month. In dollar terms, China's exports in October fell 0.9% from last year, which was better than the 3.2% drop in September. Imports declined for the ninth straight month, dropping 6.4% year-on-year in October vs. the 8.5% slump in September. Despite the improvement, it is still hard to be optimistic about the outlook, since the trade negotiations between China and the U.S. have not resulted in an agreement. Given the huge shortage in meat supplies, Beijing will be more willing to and perhaps have a sense of urgency to purchase agricultural products from the U.S. This demand has ignited the prospect of a "phase one" trade deal to be signed before the end of the year.
- China's soybean imports dropped 10.7% year-on-year, as the sharply decreased pig herd reduced the demand for soymeal. On a monthly basis, soybean imports fell 24.6% from September's 8.2 million tons. China's pig herd shrank by 41% in September versus a year ago, according to data from the Ministry of Agriculture and Rural Affairs. In the first 10 months of this year, China bought 70.69 million tons of soybeans, which is down 8.1% compared to last year. In the meantime, China's edible vegetable oil imports increased 93.6% year-on-year to 912,000 tons, because of lower domestic soybean oil production and lucrative importing profits.

OTHER ASIAN COUNTRIES

- Japan's manufacturing PMI in October dropped to 48.4 from 48.9. Not only did the manufacturing PMI fail to meet the expectations, factory activities sank to three-year low in October. Moreover, the Japan services PMI fell to 49.7 from 52.8. Tax hikes and a typhoon could be the reason behind the drop. Inflation in October increased 0.2%. The Bank of Japan kept the interest unchanged at its October meeting, but delivered a strong signal that more monetary easing, including interest rate cuts, could happen in the near future.
- After 0.4% deflation in September, zero percent inflation was recorded in October in Korea. Despite a slight increase in consumer confidence from 96.9 to 98.6, the import measure dropped 14.6% year-on-year. More importantly, exports dropped 14.7% year-on-year, which is the biggest drop since January 2016. However, the government indicated the decline is bottoming.
- In Australia, the Reserve Bank of Australia maintained its current interest rate at 0.75%, recognizing stronger growth in the economy. Economic growth this year is around 2.25%, while 3.0% economic growth is expected in 2021. Headline inflation was 1.7% over the year to September. Despite the economy improving, the argument was made that an extended period of low interest rates will be required to sustain the economic growth of

Australia. The Reserve Bank of New Zealand maintained its 1.0% interest rate. In spite of the awareness that global economy growth remains sluggish, the RBNZ is convinced that the current interest rate is appropriate to achieve sustainable employment and the 2.0% inflation rate target. Furthermore, The Committee reached a consensus to keep the Official Cash Rate at 1.0%.