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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 ***October 16, 2019.*** *This report is intended to be informative and does not guarantee price direction.*

Corn, soybean and wheat futures rallied over the last 30 days. The slower than normal U.S. corn and soybean harvest pace due to wet and colder than normal weather has helped prices. Wheat futures remain a follower, but dry Australia weather and wet weather in Canada may be supporting prices. Corn, soybean and wheat prices are back near key resistance levels and will need additional supply concerns to push prices higher. The trade finally got some good news about U.S. and China trade, or did it? President Donald Trump announced there was a partial deal concerning trade with China. The U.S. agreed not to raise tariffs on China's goods on October 15. In return, China would buy large quantities of U.S. agricultural goods. China may have until 2022 to start buying the U.S. products. In addition, there is talk that China may only buy the goods, if the U.S. does not increase tariffs on China's goods on December 15.

South America 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.

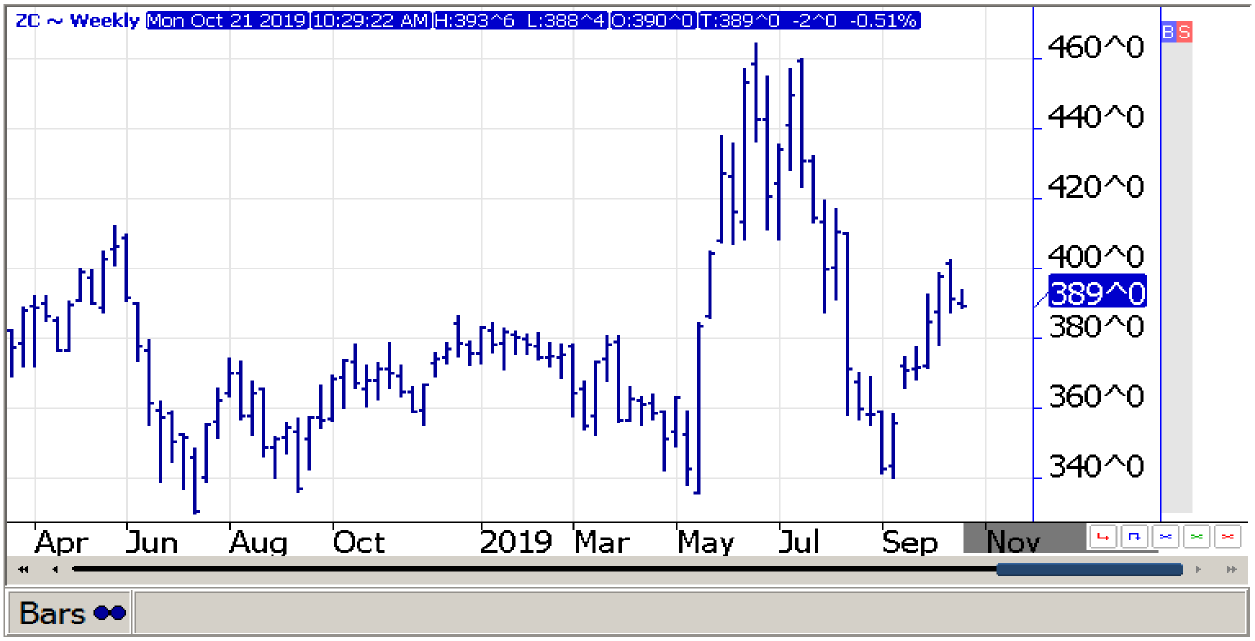
In October, the USDA estimated world 2019/20 corn end stocks at 302 million tonnes. The decline was due to lower U.S. supply. The USDA estimated total world corn exports to be near 166.5

million tonnes with U.S. exports estimated to be near 48.2 million tonnes. The USDA left the U.S. 2019 corn crop at 350 million tonnes and the USDA did not lower U.S. corn yields as expected. The U.S. crop is late and October weather will be key if the crop losses any yield/production. Demand bears continue to feel prices should trend lower into the fall.

The USDA lowered 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 48.3 million tonnes. The USDA estimates China's 2019/20 soybean imports at 85.0 million tonnes versus 83.0 last year. Soybean futures were supported by the lower U.S. supply and 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, especially in South America.

The USDA increased slightly its estimate of world 2019/20 wheat end stocks to 287.8 million tonnes versus 286.5 previous and 277.6 last year. The increase was due to higher E.U. and U.S. supplies. The USDA estimated the world 2019/20 wheat crop at 765.2 mmt versus 730.5 last year. The U.S. 2019 wheat crop is estimated to be near 53.3 mmt versus 51.3 last year. Russia is estimated to be near 72.5 versus 71.7 last year. The E.U. crop is estimated to be near 152.0 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 October 18, 2019 and is intended to be informative and does not guarantee price direction

Live Cattle

September started out looking rather dismal for live cattle and feeder cattle prices. On September 9th October 2019 live cattle prices fell to $93.40/cwt and December 2019 live cattle fell to $98.20 with October 2019 feeder cattle going as low as $127.95/cwt. Traders and packers continued to say the Tyson fire in Garden City, Kansas on August 9th would put too many cattle on the show lists. For some reason traders didn't admit cattle slaughter was not dropping. Tyson relocated cattle that were scheduled for Garden City to other facilities and they also increased their Saturday hours. With packer profit margins from $300/head to over $400/head, Tyson and other packers pushed as many cattle to slaughter that were available. When it was all too obvious that demand for cattle was actually much better than traders were letting on, live cattle, both cash and futures, along with feeder cattle moved steadily higher through the end of September. From the September 9th low, October live cattle rallied into the end of the month $11.80/cwt and December live cattle moved up $12.55/cwt. October feeder cattle ended up $16.77 off the lows.

Live Cattle Futures - Weekly

Lean Hogs

After peaking during the last week of July, tumbling through the first week of August, then trading sideways near contract lows throughout August, the first week of September looked even worse when lean hog futures made new lows on September 10th. However, it was a major low and hogs reversed and by the end of September, lean hog futures rallied off the lows nearly $15.00/cwt. The reason for the rally had to do with pork packer profit margins and new demand for hogs. At the beginning of September pork packers had negative margins and by the end of the month profits were close to $30.00/head. Cash hog demand also started to increase. New packing facilities in Iowa were increasing line speed and more hogs were needed. The ability to increase slaughter capacity has been especially important in 2019 because hog production compared to 2018 had increased over 3%. The reason often cited for the drop in hog prices has been the U.S.-China trade dispute. Unfortunately, the trade issues came at a time when U.S. hog production was expanding and grew faster than the packing industry could move to slaughter. At the end of August and the start of September, U.S. pork exports were actually up 5% year to date. Lean hog futures also rallied in September anticipating the trade dispute might be over before long.

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 **October 21, 2019** and is intended to be informative and does not guarantee price direction.*

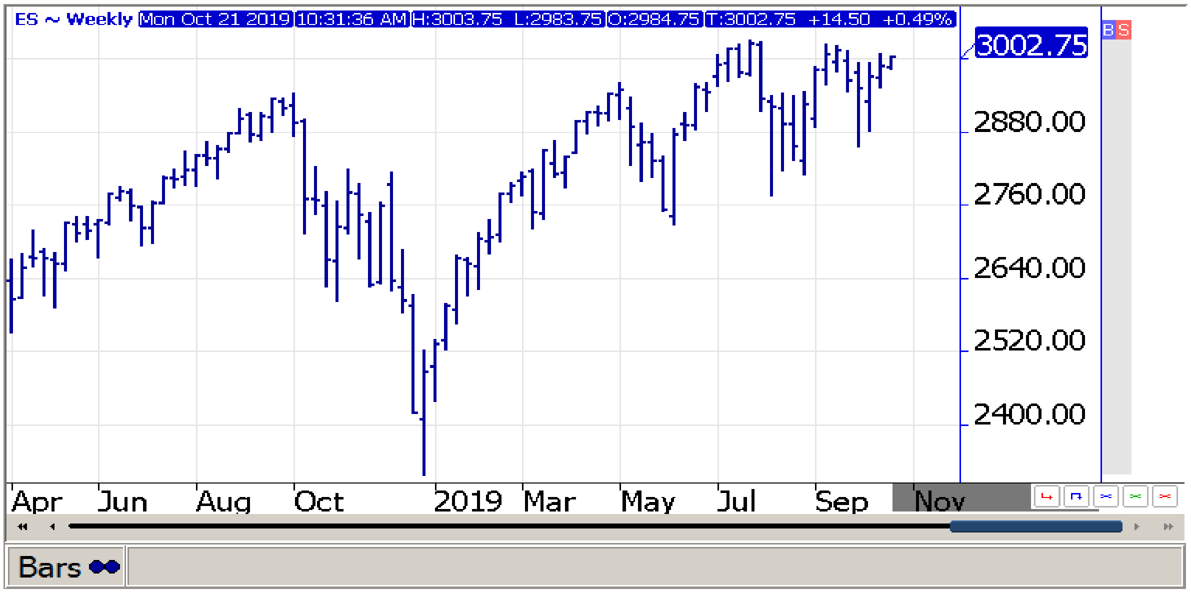
Stock Index Futures

U.S. stock index futures advanced after near term lows were registered on October 3rd. Some of the strength was linked to hopes for a partial trade deal between the U.S and China, including a possible delay in scheduled U.S. tariff increases. In addition, 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. However, stock index futures fell soon after due to a report that China wants more talks before signing a "Phase One" trade deal with the U.S, which tempered an initial burst of optimism that followed indications of progress last week.

There were more recent gains, as the third quarter earnings season got off to an upbeat start even though analysts are predicting a 3.2% decline in earnings for S&P 500 companies for the quarter from a year ago.

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 in the long term.

S&P 500 Futures - Weekly



U.S. Dollar Index

In early October, favorable interest rate differential expectations helped the U.S. dollar to advance to its highest level since June 2017. However, the greenback fell when the weaker than expected Institute for Supply Management manufacturing report was released. There was additional long liquidation when Federal Reserve Chairman Jerome Powell said the U.S. central bank will soon announce plans to increase the amount of short-term Treasury securities it buys in an effort to avoid a repeat of last month's unexpected pressures in wholesale funding markets. Mr. Powell said that rather than purchase longer-dated securities, Federal Reserve officials are now contemplating buying shorter-dated Treasury bills.

There was support for the U.S. dollar on news that housing starts in August rose 12.3% to 1.364 million, the strongest annual rate of home construction since June 2007, compared to analysts' forecast for an increase of 4.5% to 1.251 million. Building permits in August increased 7.7% to 1.419 million when 1.300 million were anticipated.

Better than expected U.S. corporate earnings reports supported the U.S. dollar. The U.S. economy continues to hold up well in spite of the weakening economic outlook overseas. This is reflected in interest rate differential expectations that are slightly bullish for the U.S. dollar.

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

Euro Currency

On October 1st, the euro currency fell to its lowest level since June 2017. Since then there has been some recovery. The euro firmed after a report showed German industrial output unexpectedly increased 0.3% in August over July. Gains were limited by news that the euro zone private sector expanded at the slowest pace in more than six years in September. The final composite output index fell to 50.1 in September from 51.9 in August, which compares to the estimate of 50.4.

Also, morale among euro zone investors fell in October to its lowest level in over six years, as stimulus measures taken by central banks failed to reduce recession fears, according to a survey by a research group.

There was limited support more recently on news that German economic expectations worsened less than expected in October. The ZEW economic research institute said its measure of economic expectations declined to minus 22.8 in October from minus 22.5 in September. However, the outcome was much better than economists' forecast of minus 27.0.

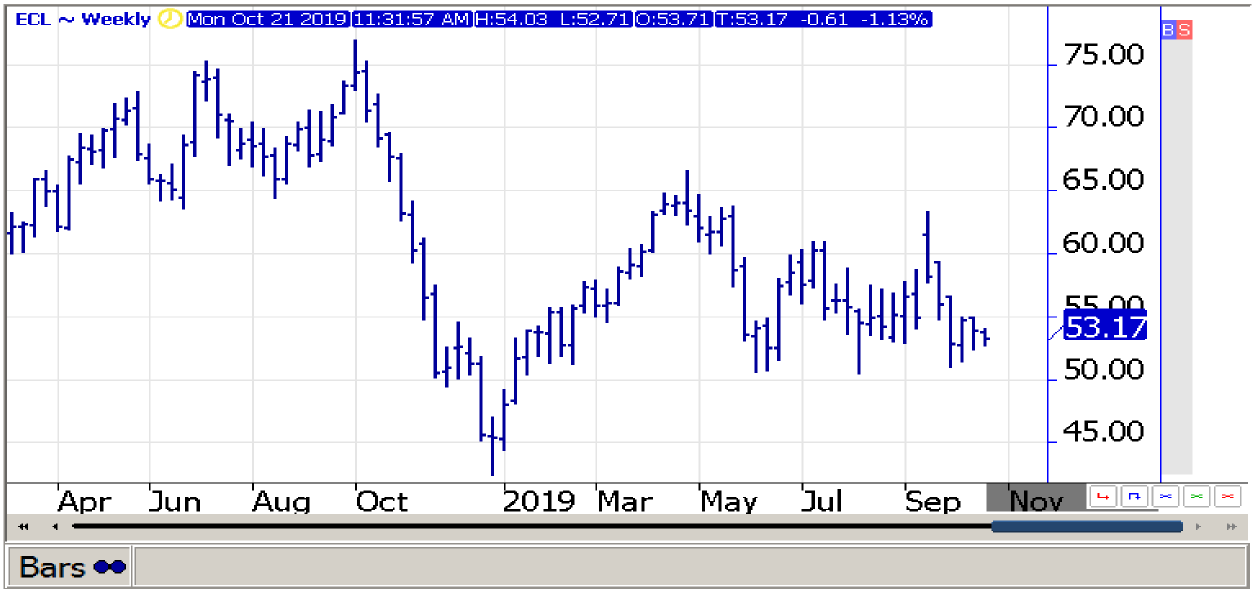
In the longer term view, interest rate differential expectations are slightly bearish for the euro currency.

Crude Oil

Crude oil prices have been under selling pressure since the middle of September. The most recent weakness can be attributed to global oversupply worries after Russia reportedly said it did not cut production as agreed to for the month of September. In addition, selling pressure is linked to prospects of weaker demand due to the slowing global economy. This bearish influence has been partially offset by threats of Mideast supply disruptions in light of ongoing political tensions.

The fundamentals remain bearish on balance, which suggests crude oil futures will likely trend lower.

Crude Oil Futures - Weekly



Gold

After registering a six year high in early September, as central banks continued their buying spree this year, gold futures have trended lower. Some of the selling can be attributed to positive signals from China on trade. Weekend comments from China's top trade negotiator may also have reduced demand for haven assets, including gold. Vice Premier Liu He said "China and the U.S. have made substantial progress in many respects." 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 for gold futures, as the Federal Reserve and other major central banks continue to lower interest rates.

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Gold Futures - Weekly

Charts provided by QST

Support and Resistance

Grains

December 19 Corn

Support	3.70	Resistance	4.20

November 19 Soybeans

Support	9.10	Resistance	9.50

December 19 Chicago Wheat

Support	5.04	Resistance	5.50

Livestock

December 19 Live Cattle

Support	109.25	Resistance	121.37

December 19 Lean Hogs

Support	61.12	Resistance	76.25

Stock Index

December 19 S&P 500

Support	2960.00	Resistance	3024.00

December 19 NASDAQ

Support	7810.00	Resistance	8063.00

Energy

December 19 Crude Oil

Support	51.50	Resistance	55.00

December 19 Natural Gas

Support	2.170	Resistance	2.350

Precious Metals

December 19 Gold

Support	1480.0	Resistance	1518.0

December 19 Silver

Support	17.200	Resistance	18.550

Industrial Metals

December 19 Copper

Support	2.5750	Resistance	2.6800

Currencies

December 19 US Dollar Index

Support	96.600	Resistance	97.850

December 19 Euro Currency

Support	1.11000	Resistance	1.12530

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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 **18 October 2019**. This report is intended to be informative and does not guarantee price direction.*

The key Chinese event over the last 30 days has been China's inflation jumping because of the skyrocketing pork prices. The PMI also showed the world's second largest economy is stabilizing. Australia and South Korea cut interest rates as expected, but further rate cuts in 2019 might be limited. The focus is on Japan and New Zealand to cut rates at their next policy meetings.

CHINA

- China's factory activities in September surprisingly expanded at their fastest pace since March 2018, thanks to significantly improved production and new orders from home. The CAIXIN China manufacturing PMI jumped to 51.4 in September from 50.4 in August, while the official manufacturing PMI stayed in contraction for the fifth consecutive month. While new orders grew at a faster pace, new export orders posted a further reduction, as the China-U.S. "trade war" continued to dampen foreign sales. Improved production didn't lead to an improvement in employment, which remained flat compared to last month. With economic growth cooling to near a three-decade low, despite the pick-up in manufacturing activity in September, businesses remained cautious.
- The soaring pork prices caused by African swine fever sent China's consumer inflation to the highest level since November 2013, touching the upper limit of the government's CPI target for 2019. The consumer price index increased 3.0% year-on-year in September. Pork prices contributed 1.65% by jumping 69.3% compared to last year. As African swine fever continued to rampage and is expected to wipe out half of the pig population by the end of 2019, China's pork prices are expected to climb and put more upward pressure on inflation. The CPI is likely to increase in the months ahead. However, the rapidly increasing food prices won't be a barrier to monetary easing, because factory-gate deflation deepened, as the producer price index declined 1.2% from last year, which is worse than the August's reading of minus 0.8%.

- As trade issues between China and the U.S. continue, China's exports and imports for September unsurprisingly came in worse than expected. In U.S. dollar terms, China's exports declined 3.2% year-on-year in September, while imports fell 8.5%, leaving the country a trade surplus of $39.65 billion. Exports to the U.S. plunged 22% year-on-year, as the escalated tariffs started taking a toll. Even though the two countries announced they reached a mini deal in middle October and the U.S. cancelled the 5% tariff increase on $250 billion worth of goods from China planned for October 15th, 2019, the outlook for China's exports is not expected to improve significantly in short term.
- As the African swine fever continued to spread around the country, China's soybean demand was subdued. In September, China's soybean imports fell 13.5% from last month to 8.2 million tons, according to customs data. In the first nine months of 2019, China imported 64.51 million tons of soybeans, which is down 7.9% year-on-year. China's pig herd has shrunk approximately 40% compared to last year, according to the Ministry of Agriculture and Rural Affairs. On October 12th, the White House announced that the trade negotiations between the world's two largest economies reached a mini deal, in which China agreed to purchase $40-50 billion worth of American farm goods. U.S. soybean exports to China are expected to pick up in the last quarter of 2019.

OTHER ASIAN COUNTRIES

- Japan's September manufacturing PMI remained in the contraction zone, while the services PMI also dropped from 53.3 to 52.8. September inflation rose 0.3% year-on-year, matching forecasts, but was the slowest rate in 2-1/2 years. While the Bank of Japan expects an inflation rate of 1.0% for this fiscal year, the big gap increases the chance the central bank will ease monetary policy at its meeting at the end of October. A survey from the BOJ showed that nearly 70% of Japanese household expect to cut back on spending after the sales tax hike and 37% of them have front-loaded spending before the increase. This endangers the expectation that strong domestic demand can offset, at least partially, the impact from weak exports.
- The Bank of Korea cut interest rates again in October as expected, which was the second reduction in three months. While the BOK kept the door open for rate cuts, two members dissented the decision, which might delay the next rate cut that is anticipated early next year, unless the economic situation takes a turn for the worse. The country recorded the first annual decline in consumer prices in September, dropping 0.4% year-on-year, while exports dropped 11.7% year-on-year, missing forecasts and marked the tenth month of annual losses.

- The Reserve Bank of Australia cut its key interest rate to 0.75% in October, but a strong jobs report reduced the chance that the RBA might cut rates again. The net number of new jobs added was 14,700 and the unemployment rate ticked down to 5.2% in September. A lower rate and eased lending rules helped the mortgage sector, which recorded a 3.2% increase in August after a 5.0% jump in July. The Reserve Bank of New Zeeland kept interest rates unchanged, but more cuts will be in the cards, since inflation in Q3 slowed to 1.5% from 1.7% in the previous quarter.