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

Livestock Outlook by Chris Lehner, Sr. Livestock Analyst, contracted by ADM Investor Services

The following report is an overview as of September 18, 2019 and is intended to be informative and does not guarantee price direction

Live Cattle

By the end of July and for the first week of August, cattle producers were beginning to think cattle prices were going to remain strong after cattle dropped over $20.00/cwt from March 2019 through the end of May 2019. From the first week of June through the end of July, live cattle futures recovered close to $8.00/cwt and feedlots were finally having profitable operating margins. However, the recovery ended abruptly when a fire stopped slaughter at a Tyson Foods facility near Garden City, Kansas. August live cattle futures, the lead month at the time, tumbled from the settlement price on Friday, August 9th at $106.75 to $99.25/cwt on Tuesday August 13th and eventually found a low on August 16th at 97.77. While cattle futures and cash cattle markets fell, the boxed beef market skyrocketed. The reasoning behind the drop in cattle and the jump in beef was there would be an oversupply of cattle needing to be slaughtered and a lack of beef without slaughtering the estimated 6000 head/day. However, with packers increasing slaughter on Saturday and Tyson moving cattle to plants they own, cattle slaughter did not drop.

Live Cattle Futures - Weekly

Charts from QST

Lean Hogs

With the exception of a $4.00 bounce in mid-July, during the month of August, October lean hog futures continued the steep decline that began when the lean hog market topped in April. For the month of August lean hog futures fell from the high, the last week of July, at $81.97/cwt to the August 1st high at $70.82/cwt, continuing lower to August 5th at $61.50 and slightly recovering into the end the month at $63.52/cwt, as traders looked for more exports to China.

The trade dispute between the U.S. and China is often the reason given for the plummeting price of hogs, but there are other factors for lower prices. U.S. hog production has expanded. Consistently, the weekly federal slaughter since the first month of 2019 has increased by 3.2% or more, as it did in August. Also, during August, export sales dropped to Mexico and Japan. Competition for international sales has increased from Brazil, the six largest agricultural countries from the European Union and even Russia. Another point rarely discussed is the U.S. economy is strong. When the economy is strong consumers buy high end cuts of beef and eat out more often. For the consumer on a budget, ground beef and poultry are purchased more than pork. In the U.S. ground pork is not as readily accepted as a replacement for ground beef and now, ground poultry.

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 ***September 19, 2019*** *and is intended to be informative and does not guarantee price direction.*

Stock Index Futures

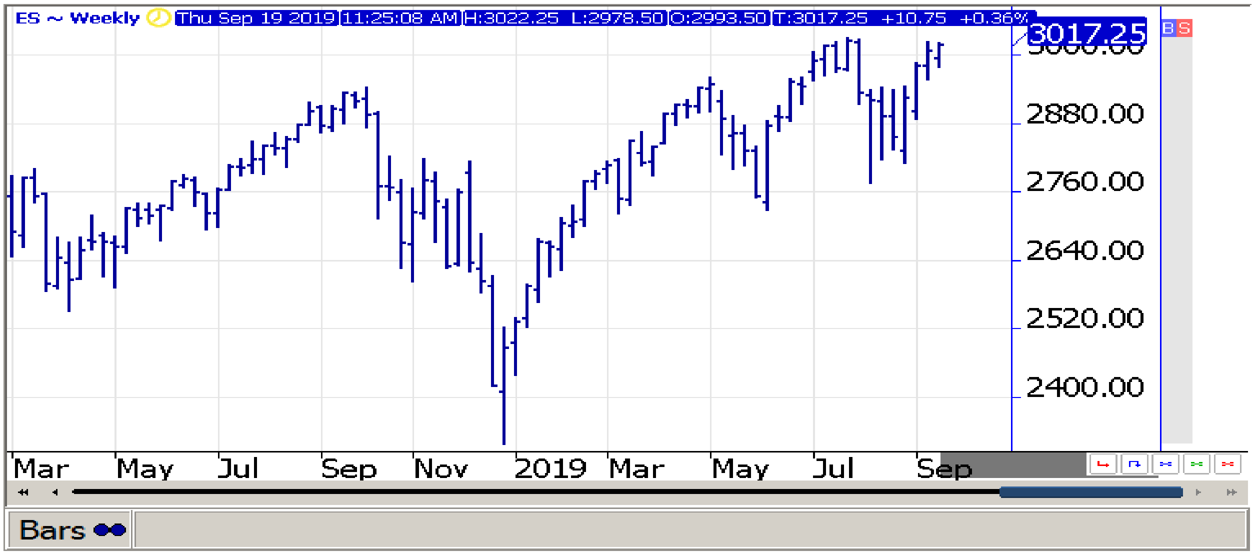
U.S. stock index futures declined in the first week of August when the U.S. Treasury unexpectedly named China a currency manipulator. This was viewed as an escalation of the trade war. However, there was recovery later in the month that followed through into September due to hopes of more stimulus from central banks, including the Federal Reserve. In addition, futures advanced when China said it was planning to roll out additional stimulus in an attempt to address an economic slowdown.

There was additional support for U.S. stock index futures when U.S. Treasury Secretary Steven Mnuchin said he does not see the threat of a recession, as the Trump administration attempts to revive trade negotiations with China. In addition, Mnuchin said, "We will have discussions with China over currency issues in next rounds of talks."

Currently we are knocking on the door of record highs after Federal Reserve Chair Powell, in a press conference following the Federal Open Market Committee policy meeting on September 18, hinted at the possibility of quantitative easing.

Traders appear to be focusing more on the bullish interest rate outlook and less on the ongoing stalemate between the U.S. and China on trade issues 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

The U.S. dollar index trended higher since July, as the U.S. economy continues to hold up well in spite of the weakening economic outlook overseas. 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.

In addition, although nonfarm payrolls were weaker than expected in August at up 130,000, the more market moving average hourly earnings report showed a gain of 0.4% when up 0.3% was estimated.

Interest rate differentials appear to be neutral to slightly bullish for the U.S. dollar, although all major central banks appear to be on a course of easer credit to one degree or another.

Euro Currency

The euro currency has steadily marched lower since late June, as the economy of the euro zone continued to weaken. The euro currency fell sharply after the European Central Bank announced a broad package of interest rate cuts and bond purchases. The ECB's move is aimed at insulating the euro zone's economy from a global slowdown and trade tensions.

The biggest surprise was the announcement of a new QE program, while the interest rate cut was expected. In an attempt to support the struggling economy, the European Central Bank cut its deposit rate by 10 basis points to a record low negative 50 basis points and promised that interest rates would stay low for longer. In addition, the ECB said it would restart bond purchases at a rate of 20 billion euros a month ($22 billion) starting November 1. It was just last December that the ECB phased out a quantitative easing program. According to the ECB, the new QE program is expected to "run for as long as necessary." ECB President Mario Draghi said he sees a further downgrade of the inflation outlook. He also said he has no appetite to discuss bond buying limits.

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

Crude Oil

The crude oil market has been caught between two opposing influences. Selling pressure is linked to prospects of weaker demand due to the slowing global economy along with elevated stockpiles around the world. The U.S. is still producing record amounts of crude.

However, the supply and demand situation quickly changed when attacks on Saudi oil production facilities knocked out an estimated 5.7 million barrels of daily production. Soon afterwards, President Donald Trump said he authorized the release of oil, if necessary, from the Strategic Petroleum Reserve.

The fundamentals appear to be offsetting, which suggests futures will likely remain in a wide trading range with breakouts not following through in either direction.

Crude Oil Futures - Weekly

Gold

Gold futures advanced to a six year high earlier this month, as central banks continue their buying spree this year. Buying from central banks was substantial in 2018, which saw the highest level of annual purchases of gold in 50 years. Central bank net purchases rose 47% year-to-year to 224.4 tons in the second quarter and in the first half of 2019 net purchases totaled 374.1 tons, which is the highest level since central banks became net buyers in 2010.

Some of the strength can be attributed to increasing prospects of easier credit conditions from the Federal Reserve and other central banks. Also, flight to quality vehicles, including gold were supported in light of the apparent lack of progress in the U.S.-China trade negotiations and the drone attack on Saudi oil production facilities.

Gold Futures - Weekly

Charts provided by QST

Support and Resistance

Grains

December 19 Corn

Support 3.60 Resistance 3.90

November 19 Soybeans

Support 8.80 Resistance 9.25

December 19 Chicago Wheat

Support 4.70 Resistance 5.05

Livestock

October 19 Live Cattle

Support 98.50 Resistance 105.47

October 19 Lean Hogs

Support 58.75 Resistance 69.25

Stock Index

December 19 S&P 500

Support 2960.00 Resistance 3040.00

December 19 NASDAQ

Support 7736.00 Resistance 8090.00

Energy

November 19 Crude Oil

Support 55.75 Resistance 62.00

November 19 Natural Gas

Support 2.500 Resistance 2.725

Precious Metals

December 19 Gold

Support 1290.0 Resistance 1335.0

December 19 Silver

Support 17.550 Resistance 18.550

Industrial Metals

December 19 Copper

Support 2.5650 Resistance 2.6750

Currencies

December 19 US Dollar Index

Support 97.600 Resistance 98.500

December 19 Euro Currency

Support 1.10650 Resistance 1.11700

ADM Investor Services, Inc.

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 **18th September 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 many PMIs in the region improved as a result of a rate cut and fiscal support. China's CPI jumped on skyrocketing pork prices. South Korea's jobless rate dropped significantly, but market still expects another rate cut in October.

CHINA

- China's factory activity rebounded to a five-month high in August, thanks to improved production, but the outlook remained overshadowed by shrinking overseas demand amid the intensifying U.S.-China trade dispute. After staying in the contractionary territory for two straight months, the CAIXIN China manufacturing PMI rose to 50.4 in August from 49.9 in July. Production increased at the fastest pace in five months, while new orders remained broadly stable, despite a faster decline in new export orders, suggesting that overall demand didn't improve and foreign demand declined notably. Meanwhile, China's official manufacturing PMI fell to 49.5 in August from 49.7 in July.
- In August, China's CPI increased 2.8% from a year earlier, driven by fast-climbing food prices, which rose 10% year-on-year. Pork prices surged 46.7% from last year, due to a supply shortage caused by African swine fever. This lifted consumer inflation by more than one percentage point in August. Overall meat prices, including pork, beef and mutton surged nearly 31% in August, compared with July's 18.2% increase, as more consumers shifted to other meat items for protein. China's producer-price index fell 0.8% year-on-year, compared to an annual decline of 0.3% in July. On a monthly basis, the PPI dropped 0.1%. It was the worst year-on-year contraction since August 2016. The PBOC announced a reduction of the required reserve ratio by 0.5% as of September 16th, which might pump approximately $125 billion into the economy.
- Persistently weak global demand and an intensifying trade dispute with the U.S. took a toll on China's exports, which dropped 1.0% from a year earlier, missing the market expectation of over 2.0% growth. Imports declined 5.6% compared to last year, highlighting a sluggish domestic demand. The trade surplus in August shrank to $34.84

billion from last month's $45.06 billion. In the first eight months, China's exports in dollar-dominated terms fell 8.9% year-on-year and imports dropped 27.5%. Last month, Washington announced another 5.0% tariff on $550 billion of China's goods as of October 1st, but part of it won't be effective until December 15th. Exports for September and October are expected to hold up due to the "rush to export" effect. But the trade picture might get uglier in November, if the two economies don't reach an agreement by then.

- China's soybean imports in August surged 9.7% from July to 9.48 million tons, hitting the highest level in close to 18 months, due to delayed shipments arrival. In the first eight months of 2019, China's soybean imports declined 9.2% year-on-year, thanks to reduced demand from the hog sector. Soybean imports from the U.S. in August surged 165% from July to 2.41 million tons, while volume from Brazil declined 35.2% on a monthly basis. On September 14th, China announced it will exempt some American soybeans, pork and other agricultural products from additional tariffs. As U.S. grains come to harvest season, more soybeans are expected to be imported from the U.S. in months to come.

OTHER ASIAN COUNTRIES

- Japan's August PMI index showed mixed result. The manufacturing index is still below the 50 threshold at 49.3, which is slightly lower than 49.4 in July. On the other hand, the services sector index jumped to 53.3 from 51.8. The domestic market is showing resilience, which could stem the impact of raising the sales tax to 10% in October. Exports slumped 8.2% in August. Although less than expected, it marked the ninth monthly drop.
- South Korea's Manufacturing PMI index improved in August despite still being in the contraction zone. The headline index rose from 47.3 to 49, while the new export orders index rose from 45.5 to 48.6. Thanks to the fiscal support and lower participation rate, the August jobless rate dropped significantly from 4.0% to 3.1%. Analysts expect a rate cut in October following a surprise cut in July.
- The Reserve Bank of Australia held rates steady in September, but the minutes opened the door for further cuts. The labor market and the international situation will be considered. The housing market showed some improvement, with mortgage approvals and auction clearance rates climbing. The market is fully expecting a rate cut to 0.75% by the end of the year. Although the Reserve Bank of New Zealand cut the rate by a larger-than-expected 50 bp, the survey of business confidence sank further in August. The market is expecting a further 25 bp rate cut in November and another 25 bp rate cut next year.