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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 **January 20, 2021.** This report is intended to be informative and does not guarantee price direction.*

From the December USDA report corn, soybean and wheat futures rallied. Some linked the rally to the USDA estimate of lower U.S. 2020 corn and soybean crops and talk of increased demand for U.S. corn and soybean exports. South America weather was also drier than normal across parts of Brazil and Argentina. Talk of increased Russia wheat export taxes helped rally wheat futures. The rally increased speculative buying to a point futures became overbought. The rally also increased U.S. farmer selling, especially new crop. Futures have backed off recent highs, but some analysts believe prices have yet to ration U.S. corn and soybean demand. This could suggest that eventually prices may need to test those highs and possible trade over those levels if U.S. 2020/21 corn and soybean balance sheets tighten.

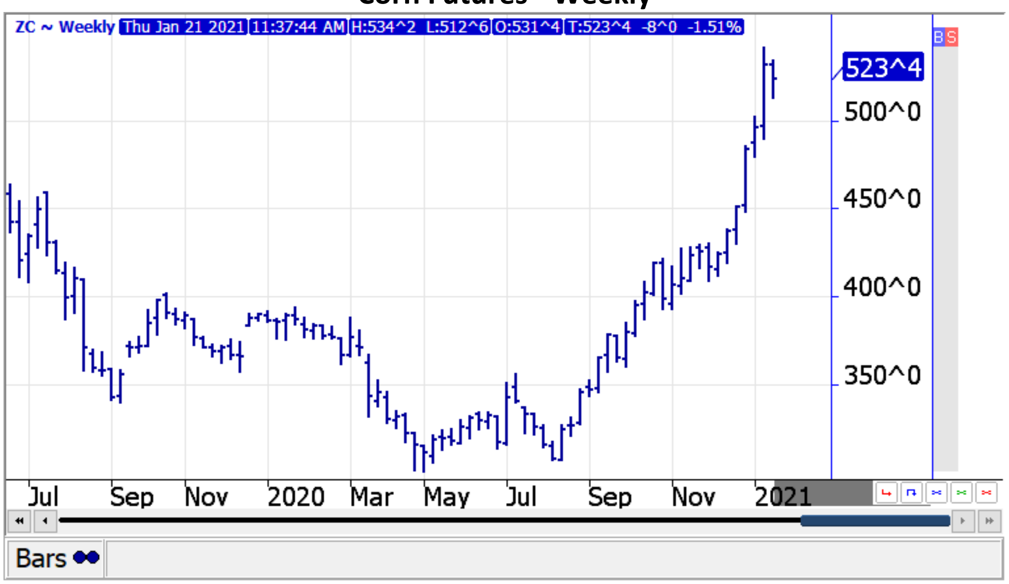
Since mid-December, nearby corn futures ranged from 4.60 to 5.40. In January, the USDA estimated U.S. December 1 corn stocks to be near 11,322 mil bu versus 11,951 expected and 11,327 last year. The USDA also dropped the U.S. 2020 corn crop to 14,182 mil bu versus their November estimate of 14,507. This was viewed as bullish for prices. The USDA did drop the U.S. 2020/21 corn carryout to 1,552 mil bu versus 1,702 estimated in December. But the USDA also dropped feed and residual 50 mil bu, ethanol use 100 mil bu and exports 100 mil bu. Most analysts believe demand will not drop and could take that 250 mil bu off the 1,552 carryout. Most feel corn futures could see increased price volatility and trade between 5.00 and 6.00.

Also, since mid-December, nearby soybean futures ranged from 12.00 to 14.36. In January, the USDA estimated U.S. December 1 soybean stocks to be near 2,933 mil bu versus 3,252 last year. The USDA also dropped the U.S. 2020 soybean crop to 4,135 mil bu versus its November estimate of 4,170. This was viewed as bullish for prices. The USDA did drop the U.S. 2020/21 soybean carryout to 140 mil bu versus 175 estimated in December. The USDA increased the crush 5 mil bu and exports 30 mil bu. Most feel final export demand could increase even more and could take the final carryout to near 100 mil bu.

Nearby Chicago wheat futures ranged from 6.20 to 6.90. In January, the USDA estimated U.S. December 1 wheat stocks to be near 1,674 mil bu versus 1,841 last year. The USDA did drop the U.S. 2020/21 wheat carryout to 836 mil bu from 862 estimated in December. The USDA increased feed and residual 25 mil bu. Talk of an increased export tax for Russia wheat exports and slower wheat exports from Europe helped wheat futures follow higher corn prices. Most feel Chicago wheat futures could trade between 6.00 and 7.00 until more is known about Russia export supplies and north hemisphere 2021 weather.

Some analysts believe tightening U.S. corn and soybean balance sheets and a successful virus vaccine could increase demand for food and fuel late in 2021. The U.S. dollar could also continue to trend lower on talk of higher 2021 U.S. debt. All of this could help grain and soybean prices to trend higher in 2021.

Corn Futures - Weekly



Charts from QST

Livestock Outlook by Chris Lehner,

Senior Livestock Analyst, contracted by ADM Investor Services

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The beef market surprised many in the cattle industry in December, as traders expected to see a decline in beef demand. However, retailers' advertised specials on expensive cuts such as rib roasts beginning in November 2020 and sales remained strong through the December holidays. On November 1 choice beef rib sections were $380/cwt and choice rib sections rallied over

$500/cwt. In order to compete with large retail stores that had previously contracted beef, regional and local stores were forced to buy beef at the higher prices.

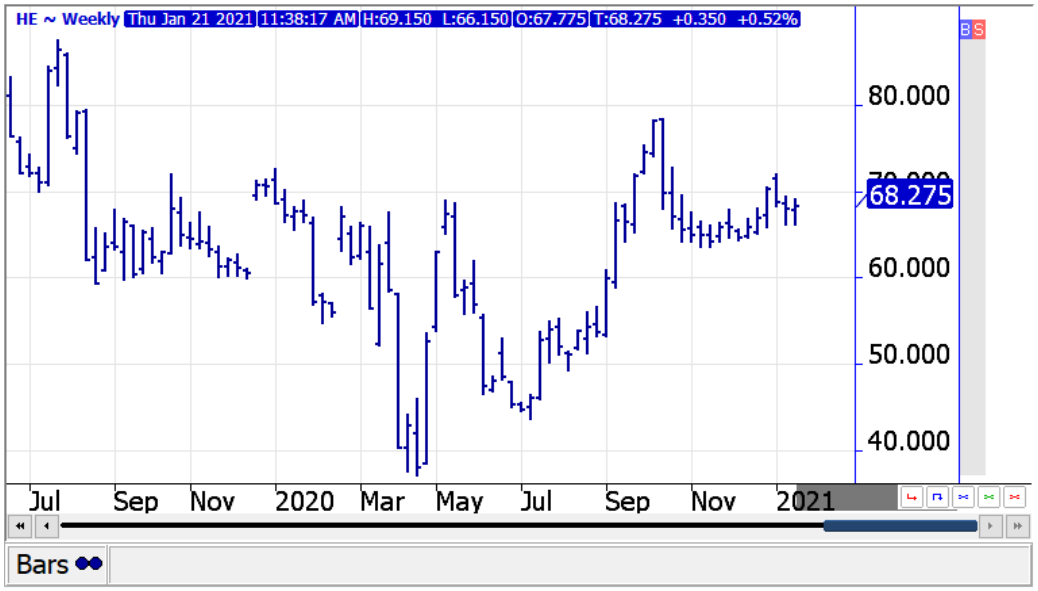
Beef packers had extraordinarily strong profits in 2020. Packer profits during December ranged from $275/head to over $500/head. For the cattle producer it meant cattle buyers were able to keep cash prices fairly stable. December 2020 live cattle futures ranged from a low of $107.15 to a high of $113.50 closing the month at $112.95.

Live Cattle Futures - Weekly

By the end of 2020, packers had hog slaughter back to levels pre-COVID-19 after the massive disruptions in slaughter in April through May. Pork exports increased for the year with the U.S. and China signing the Phase One trade deal. The U.S. federal hog slaughter was close to 3.5% above 2019 and December hog futures traded in a fairly tight range from $64.27/cwt to $67.95/cwt.

The Quarterly Hogs and Pigs report on December 23, 2020 showed the U.S. hog inventory down 1.0% compared to December 2019 and estimated breeding inventory to be off 3.0%. The U.S. hog slaughter will be lower in 2021, but with global hog inventories increasing in 2021, the lower slaughter in the U.S. will be offset by increases in the European Union, Brazil and especially in China. At the end of December, China reported its hog inventory was nearly back to levels before African Swine Fever.

Lean Hog Futures - Weekly



Charts provided by QST

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

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Stock Index Futures

S&P 500, Dow and NASDAQ futures advanced to new record highs due to vaccine and fiscal stimulus optimism, along with better than expected quarterly earnings results. In addition, recent gains were linked to ideas that the Federal Reserve will remain accommodative for an extended period.

Economic reports have been mixed. December housing starts were 1.669 million when 1.558 million were anticipated and permits were 1.709 million, which compares to the estimate of 1.635 million. The January Philadelphia Federal Reserve manufacturing index was 26.5 when 11 was predicted.

However, December nonfarm payrolls declined 140,000 when an increase of 50,000 was expected and private payrolls fell 95,000, which compares to the anticipated 90,000 increase. Also, the December National Federation of Independent Business Small Business Optimism Index fell significantly in December to a seven-month low to 95.9 when 102.0 was expected.

There is rule of thumb that new record highs in any market suggests follow-through strength is likely. In some cases, the additional strength can be substantial. The logic behind this is that, if the fundamentals are powerful enough to propel a market to new historical highs, they are probably strong enough to persist for a while longer and push prices even higher.

S&P 500 Futures - Weekly

U.S. Dollar Index

The U.S dollar started its decline in May, but did make a near-term bottom in early January. Much of the selling can be linked to rising debt levels coupled with expectations for an extended period of low interest rates.

More recently the greenback has traded sideways to higher, as some economic reports came in better than expected.

However, longer term, the U.S. dollar is likely to trend lower on the belief that an increase in fiscal spending would raise the budget and current account deficits. Also undermining the greenback are expectations for an extended period of low interest rates due to the Fed's "average inflation targeting" strategy, which suggests the U.S. central bank will remain accommodative for longer.

Interest rate differential expectations are likely to undermine the U.S. dollar longer term.

Euro Currency

The euro currency made a near-term top in early January and has trended lower more recently.

There was some support from better than anticipated German employment data. German jobless claims fell again in December. Jobless claims declined by 37,000 after falling by a revised 40,000 in November. Economists had forecast an increase of 5,000. Also, the number of registered job vacancies was 581,000 in December, which is down 105,000 on the year.

In addition, the euro was supported by stronger than predicted money supply growth. Euro zone November M3 was up 11.0% on the year when an increase of 10.6% was estimated.

Interest rate differential expectations remain supportive to the euro currency. The currency of the euro zone is likely to trend higher longer term.

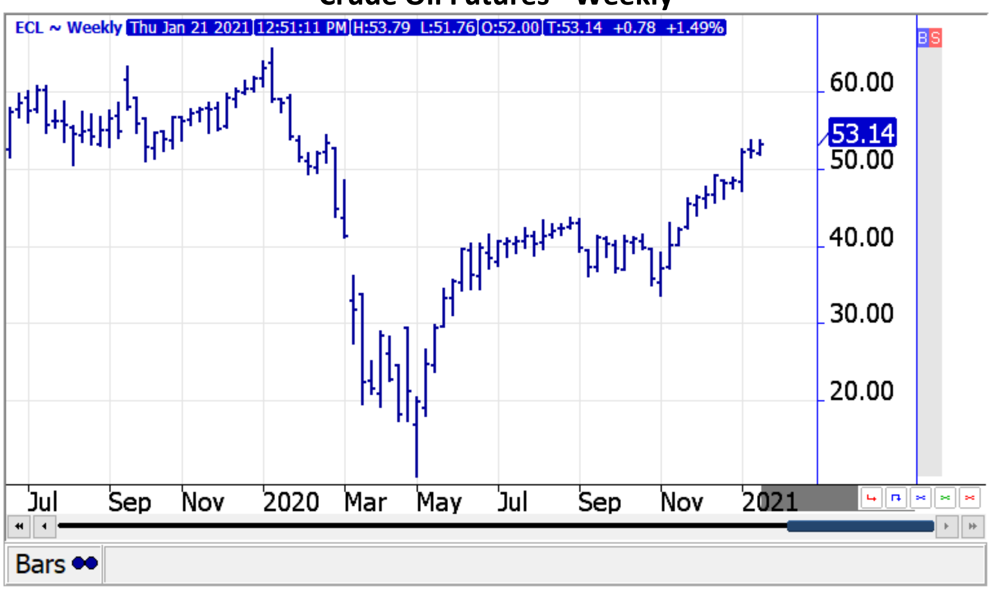
Crude Oil

January crude oil futures advanced over $13 since the lows were made in the first part of November after finishing weak in October. Much of the strength can be attributed to hopes of a global economic recovery. An EIA report showed a larger-than-forecast drop in U.S. oil inventories. The EIA indicated crude stockpiles declined by 3.1M barrels last week, which compares to expectations for a 2.7M barrel decline. Overall, the decline was relatively small compared to the massive, 15M barrel increase the previous week.

The IEA said it anticipated world oil demand to recover by 5.5 million barrels per day to 96.6 million this year. This reflects a downward revision of 0.3 million barrels from last month's estimate. Also, prices have rallied in recent weeks due to a surprise oil production cut from Saudi Arabia.

The technical aspects of this market remain constructive and follow-through gains are likely.

Crude Oil Futures - Weekly



Gold

Flight to quality longs were liquidated in the first week of January. However, prices have partially recovered recently on increasing prospects of accelerating inflation rates.

In the longer term, gold will continue to be a safe-haven asset in times of economic turmoil. In addition, there are the bullish influences of the accommodative global central bank interest rate policies, including a dovish Federal Reserve that promised to keep short-term interest rates near zero into 2023, aggressive buying of gold by central banks and gold's newly found status of having a "positive yield" when compared to negative yielding assets in parts of the euro zone and in Japan.

The most important fundamentals will be the tailwinds that are capable of sustaining a long-term bull market in gold futures.

Gold Futures - Weekly

Charts provided by QST

Support and Resistance

Grains

March 21 Corn

Support 5.00 Resistance 6.00

March 21 Soybeans

Support 13.00 Resistance 15.00

March 21 Chicago Wheat

Support 6.00 Resistance 7.00

Livestock

February 21 Live Cattle

Support 107.00 Resistance 116.00

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February 21 Lean Hogs

Support 64.25 Resistance 70.20

Stock Index

March 21 S&P 500

Support 3760.00 Resistance 3880.00

March 21 NASDAQ

Support 13200.00 Resistance 13850.00

Energy

March 21 Crude Oil

Support 51.50 Resistance 55.50

March 21 Natural Gas

Support 2.390 Resistance 2.750

Metals

February 21 Gold

Support 1826.0 Resistance 1900.0

March 21 Silver

Support 24.750 Resistance 27.500

March 21 Copper

Support 3.5800 Resistance 3.7200

Currencies

March 21 U.S. Dollar Index

Support 89.200 Resistance 90.700

March 21 Euro Currency

Support 1.20700 Resistance 1.22700

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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 January 2021**. 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 GDP growth of 6.5% in Q4 2020. For year 2020, China's GDP growth stood at 2.3%, making it the only major economy to expand last year thanks to its success in largely taming the coronavirus within its borders. Other Asian countries are experiencing economic recovery, and expect strong growth in 2021.

China

In December 2020, the CAIXIN China manufacturing PMI came in at 53.0, indicating that the economy continued its recovery as the impact of COVID-19 faded. Production and new orders saw a slight drop from November, but stayed in expansion for its tenth and seventh consecutive months, respectively. New exports orders also expanded for five months in a row. Increasing commodity prices increased factories' costs and prompted factories to cautiously hire. Some factories shed jobs to control expenses. The employment index hovered around 50 in December. The official manufacturing PMI edged down a 0.2 percentage point to 51.9. The post-pandemic recovery is expected to continue in coming months and given a low comparative basis from the first half of 2020, the data might be even stronger.

The CPI increased 0.2% compared to last year in December and the annual consumer inflation rate was 2.5%. Real estate prices in first-tier cities like Beijing and Shanghai rose over 15% on average in the past few months, which some analysts predict could lead to a significant pick-up in consumer prices in 2021. The PPI continued to decline in December by dropping 0.4% year-on-year, although it increased 1.1% on a monthly basis. The PPI is expected to end contraction in 2021 given increasing commodity prices.

China's exports beat expectations with robust performance again in December. U.S. dollar-denominated exports rose 18.1% compared to last year to $281.9 billion and imports for the month increased 6.5% to $203.8 billion, bringing the monthly trade surplus to $78.1 billion. For year 2020, China's exports grew 3.6% year-on-year. The annual trade surplus amounted to $535.03 billion, the second highest level since 1950. Exports to the U.S. for December surged 34.5% from last year, thanks to a recovering U.S. manufacturing sector. Given a lower comparative basis from 2020, exports growth in Q1 of 2021 could be higher, but it is expected to ease from Q2.

China's soybean imports in December dipped 21.51% from last month to 7.52 million tons. In 2020, China's soybean imports rose 11.7% from 2019 and exceeded 100 million tons for the first time. China's crushing capacity is expected to continue growing in 2021, as the pig herd keeps recovering nation-wide, which will increase soymeal demand further. Soybean imports for 2021 are estimated to be 105-110 million tons.

Other Asian Countries

Japan's manufacturing PMI in December rose to 50 from 49.0 to end the 19-month contraction, as manufacturing output stabilized for the first time in two years. The service PMI in December slightly dropped to 47.7 from 47.8. Japan's economic ministers were convinced that Japan's economy would grow 4.0% in 2021, bringing GDP to pre-pandemic levels.

The Bank of Korea decided to keep the base rate unchanged at 0.5%. South Korea's Inflation rate dropped to 0.5% in December 2020 from 0.6%. This compares to the expectation of 0.6%. Exports rose 12.6% from 4.0%, matching estimates. The BOK was convinced that the economy will continue to recover modestly. It was estimated that South Korea's real GDP growth rate for the end of 2021 was at an average of 3.4%.

Australia's unemployment dropped to 6.8% in November from 7.0% in October. Because of the trade tensions between China and Australia and Covid-19, Australia's GDP was expected to decline 2.7%. However, with the easing of restrictions on tourism, hospitality and retail, it was predicted that Australia's GDP will grow 4.4% in 2021.

New Zealand's consumer confidence rose to 106 from 95.1. New Zealand's GDP also rose 14% from the second quarter. New Zealand's economy experienced a V-shaped economic rebound and came back to the condition before Covid-19. However, due to the ongoing lockdown, the border remained closed to foreigners, resulting in the tourism industry's investment and hiring plans remaining on hold. Therefore, it was projected that the jobless rate would be higher in 2021.