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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 **September 14, 2021.** This report is intended to be informative and does not guarantee price direction.*

The USDA's September report was slightly negative for corn and soybeans, but neutral for wheat prices. After the August USDA report, November soybean futures traded lower to near 12.62 and December corn to 4.97. Chicago December wheat traded down to 6.77, December soymeal to near 335.40 and December soyoil to near 55.36. Much of the selling was due to slow demand and concerns that the USDA would increase U.S. corn and soybean supply on the September report. Increased global Covid cases is also raised concerns about food and fuel demand.

In September, the USDA estimated the U.S. 2020/21 corn carryout to be 1,187 mil bu and the U.S. 2021/22 corn carryout to be near 1,408. The USDA raised U.S. 2021 corn planted acres to 93.3 million from 92.7. Many analysts believe this is a result of new FSA farm program enrollment data. The USDA also increased the corn yield from 174.6 to 176.3. The USDA did increase feed use 75 mil bu and exports 75 mil bu. Debate will increase if a dry end of the crop season will reduce final U.S. corn yield. Consumers are not covered for 2021/22 needs. Open interest continues to drop on a lack of consumer buying, managed fund long liquidation and a lack of new farmer selling. Some traders are looking for a bottom in futures in order to participate in a post-harvest rally.

In September, the USDA increased the U.S. 2020/21 soybean carryout to 175 mil bu and lowered the crush 15. The USDA left Brazil's soybean crop at 137.0 mmt and the Argentina crop at 46.0. The USDA raised China's soybean imports to 99.0 mmt and left China's 2021/22 imports at 101 mmt. Concerns about Canada's canola crop have rallied world canola oil prices. Concerns about China's demand and lower Argentina prices continue to offer resistance to soymeal prices. The USDA dropped U.S. 2021 soybean planted acres from 87.6 million to 87.2. The large percentage enrollment suggests little change to final acres. The USDA raised the U.S. soybean yield to 50.6. Some traders believe a dry end to the crop season could suggest final seed weight may be lower than the average NASS used. The USDA dropped the U.S. 2021/22 crush 25 mil bu and raised exports 35 mil bu. The USDA increased the U.S. 2021/22 carryout to 185 mil bu. The key now will be final U.S. yield, consumer demand and 2022 South American weather.

In September, the USDA lowered the U.S. 2021/22 wheat carryout to 615 mil bu vs. 627 mil bu due to lower imports. The USDA NASS did not increase U.S. 2021 all wheat acres as rumored. The USDA increased the world 2021/22 crop from 776 mmt to 780 due to higher Australia, China and India production. The USDA estimated the world number traded near 199 mmt. Some feel the USDA estimate of global trade may be too low. Also, some analysts feel the USDA estimate of E.U. and Russia wheat exports may be too high. U.S. and Russian farmers are beginning to start planting the 2022 winter wheat crop with weather mostly dry and warm. If the La Nina influence increases in 2022, U.S. southern crop regions could be warmer and drier than normal.

Corn Futures - Weekly

Chart from QST

Livestock Outlook by Chris Lehner, Senior Livestock Analyst, contracted by ADM Investor Services

The following report is an overview as of ***August 19, 2021*** *and is intended to be informative and does not guarantee price direction.*

Live Cattle

For the first three weeks in August, live cattle futures trading was a continuation of what began in June and July, slowly moving higher but with several bounces. Live cattle futures traded within a $4.50/cwt range. The futures market correlated with how cash cattle were priced in the various feeding regions throughout the U.S. When packers needed choice and prime heavier cattle, cash prices in the Midwest would be from $125.00/cwt to $130.00/cwt with a few cattle as high as $131.00/cwt.

For lighter cattle in the Southwest, packers would pay from $121.00 to $124.00/cwt. Pricing was in the buyers hands. With cattle slaughter averaging 3.6% year to date above 2020 year to date, supplies were sufficient to meet demand. There was a peak during the last week of August as buyers needed a few more cattle to meet the Labor Day beef demand, which is one of the large demand times of the summer.

Live Cattle Futures - Weekly

Lean Hogs

During August 2021, lean hog trading had something for the longs and the shorts because of the heavy speculation, primarily spreading. As August 2021 lean hog futures ended the month on August 13th, there was strength in August 2021 lean hogs because pork prices were strong. August 2021 topped on June 7th at $120.55, dropped to June 24th at $98.70/cwt and then climbed to settle on August 13th at $109.50/cwt, gaining back about half of the summer loss.

Similar to August 2021 lean hogs, October 2021 lean hogs bottomed at the end of June and began to recover in July, but the October 2021 lean hog contract recovery stopped at the end of July. October lean hogs began to move lower during August as the August 2021 lean hog futures climbed during the month. When August 2021 lean hogs expired on August 13th at $109.50, October 2021 lean hogs were at $86.52/cwt for a difference of $22.97/cwt. As more hog producers use alternative pricing methods or directly feed for packers, lean hog futures have become increasingly speculative.

Lean Hog Futures - Weekly

Charts from 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 16, 2021** and is intended to be informative and does not guarantee price direction.*

Stock Index Futures

&P 500 and NASDAQ futures advanced to new record highs earlier this month in response to stronger than expected third quarter corporate earnings reports. In addition, traders were encouraged by the Federal Reserve, which said it doesn't plan to pull back on supportive policies in the near term. Federal Reserve Chairman Jerome Powell said the timing of scaling back on bond purchases, which is likely to begin later this year, won't have any bearing on decisions to hike its fed funds rate. Mr. Powell indicated that policymakers will only gradually cut back on asset purchases, and that the Federal Reserve is still a long way from raising interest rates.

However, there was a recent pullback due to lingering concerns over the global economic growth outlook, as investors have turned increasingly cautious after the weak August payrolls report. In addition, some longs were liquidated in advance of the September 22 Federal Open Market Committee meeting.

Higher prices are likely for stock index futures once the FOMC policy meeting is out of the way. Overall, the fundamental and technical aspects remain supportive for stock index futures.

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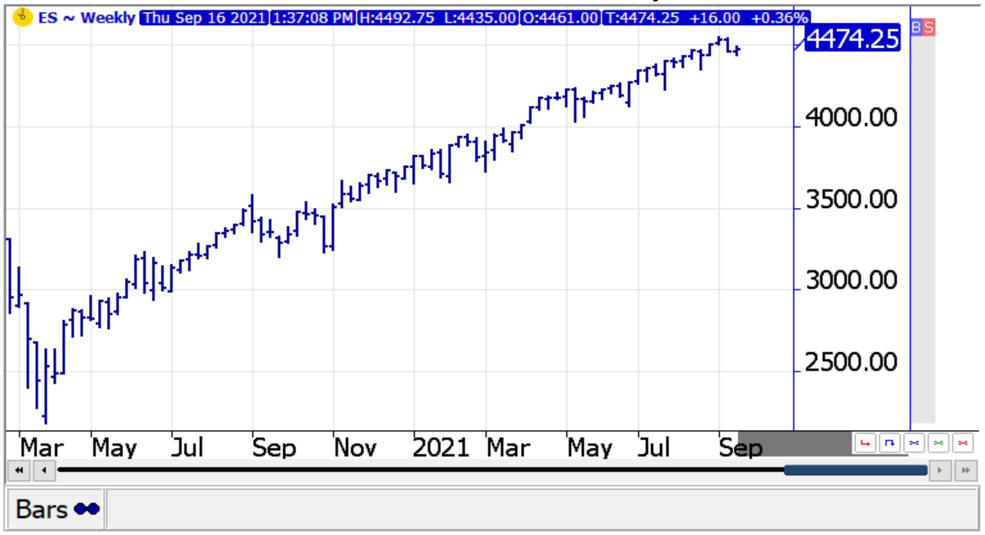
S&P 500 Futures - Weekly



U.S. Dollar Index

The U.S. dollar index has been supported by a safe-haven flow of funds in light of increasing evidence of slower growth in the global economy. However, there was some pressure on the greenback on news that the national employment report from Automated Data Processing showed 374,000 new jobs in August, which is well below market expectations of a 613,000 increase. Also, prices declined on news that the August consumer price index report showed an increase of 0.3% when a gain of 0.4% was expected.

In the weeks ahead it is likely that the flight to quality influence will dominate over other market influences and underpin the U.S. dollar.

Euro Currency

The euro currency firmed against the U.S. dollar after the European Central Bank left interest rates at record low levels, but announced it would start conducting a moderately lower pace of asset purchases for the rest of the year. The central bank said the Pandemic Emergency Purchase Program will be maintained at €1.85 trillion until at least the end of March 2022 but gave no signal of its next policy move, including how it might dismantle the Pandemic Emergency Purchase Program.

ECB President Christine Lagarde said the ECB's decision doesn't represent a move to phase out its bond purchases but simply is a realignment to the improved economic developments, and that the bank will remain committed to easy-money policies for years.

Many traders see this as a token step towards unwinding the emergency economic aid it put in place during the pandemic.

There was pressure on the euro on news that the ZEW Indicator of Economic Sentiment for Germany declined to 26.5 in September from 40.4 in August, and was below market forecasts of 30.0. The gauge declined for the fourth consecutive month to the lowest level since March 2020.

The assessment of the economic situation in Germany however, improved to 31.9 from 29.3 in August. This reading compares with economists' forecast of 33.0.

The unemployment rate in the euro area edged down to 7.6% in July from an upwardly revised 7.8% in June, matching analysts' forecasts. This the lowest reading since May of last year as the number of unemployed people declined 430,000 to 14.613 million.

It is likely that the euro currency will trend lower over the near term.

Crude Oil

Crude oil prices bottomed in the third week of August followed by an $11 rally. The higher prices are partly due to tight supplies as OPEC recently decided to maintain some of its emergency production cuts, while production in the U.S. has been limited due to tropical storms that knocked out offshore oil output.

Rising global demand is also supporting oil prices. Recent EIA data showed U.S. gasoline consumption, which is a key yardstick for overall oil demand, fell sharply to 8.9M barrels a day. However, that weakening demand may be more than offset by growing demand in Asia.

Futures are coming up against a major resistance area at 74.00 - 76.00, which is likely to hold.

Crude Oil Futures - Weekly

Gold

Subdued inflation expectations have been a headwind. Gold prices trended lower in September on ideas that the spike in inflation will be transitory. This belief was fueled by news that the consumer price index in August increased 0.3% when a 0.4% increase was expected.

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In addition, some of the selling pressure is linked to ideas that the Federal Open Market Committee at its September 22 policy meeting will announce a timeframe for a tapering of its $120 billion a month asset-purchase program.

However, there is growing evidence that the rate of growth in the global economy is slowing and in my opinion, will likely put pressure of the FOMC to taper later rather than sooner, while other major central banks are likely to become slow to remove accommodation.

I anticipate central banks will be less hawkish in the months ahead, which is long term supportive to the gold market.

Gold Futures - Weekly

Charts by QST

Support and Resistance

Grains

December 21 Corn

Support 5.00 Resistance 5.60

November 21 Soybeans

Support 12.75 Resistance 13.60

December 21 Chicago Wheat

Support 6.75 Resistance 7.40

Livestock

October 21 Live Cattle

Support 119.50 Resistance 132.00

October 21 Lean Hogs
Support 74.50 Resistance 93.00

Stock Index

December 21 S&P 500
Support 4380.00 Resistance 4555.00
December 21 NASDAQ
Support 15150.00 Resistance 15900.00

Energy

November 21 Crude Oil
Support 65.50 Resistance 76.00
November 21 Natural Gas
Support 4.550 Resistance 5.700

Metals

December 21 Gold
Support 1735.0 Resistance 1833.0
December 21 Silver
Support 21.80 Resistance 24.50
December 21 Copper
Support 4.0500 Resistance 4.4750

Currencies

December 21 U.S. Dollar Index
Support 92.200 Resistance 93.400
December 21 Euro Currency
Support 1.17200 Resistance 1.18750

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MARKET OUTLOOK FOR CHINA AND ASIA REGION

By Kevin Yang, ADMIS Shanghai Representative Office

The following is an overview of the Chinese and Asian economic, political and crop situations as of ***15 September 2021****. This report is intended to be informative and does not guarantee price direction.*

The key Chinese and Asian events over the last 30 days are softening manufacturing activities in China, South Korea and Japan. Australia started reducing bond purchases and New Zealand is expected to increase interest rates in October.

China

China's manufacturing sector turned from expansion to contraction in August due to a combined hit of outbreak COVID-19 cases and floods. The CAIXIN China manufacturing PMI fell 1.1 percentage points to 49.2 from last month's 50.3, which is the first time it fell into contraction since May 2020. Both production and new orders fell below 50, indicating supply and demand declined at the same time. Surveyed enterprises stated that the rebound in the COVID-19 cases and the tightening prevention measures had a significant impact on manufacturing production, and also suppressed demand. New export orders dropped into contraction as well, because of the deteriorating COVID-19 pandemic situation in other countries. Employment slightly shrank for the first time in the past five months. Surveyed enterprises remained optimistic about the prospect for the coming year and estimated that output will continue to grow once the pandemic is under control. The official manufacturing PMI declined by 0.3 percentage points to 50.1 in August from 50.4 in July.

China's consumer inflation rate for August came in at 0.8% year-on-year, compared to 1.0% in July. The eased inflation reading was mainly attributed to weak pork prices, which were still declining since the hog inventory and pork supply continued to climb. The PPI increased 9.5% compared to last year, due to price increases in coal, chemicals and steel. Coal prices increased 6.5% year-on-year in August, while the imported coking coal price increased 50% on average. The PPI is expected to continue to increase in the short term.

China's exports beat forecasts in August. In dollar-denominated terms, China's exports increased 25.6% year-on-year. Imports climbed 33.1%. That resulted in a trade surplus of $58.34 billion in August. In the first eight months, China's exports increased 33.7% from last year, reaching $2.1 trillion. The better-than-expected export performance in August was partly attributed to early shipments in advance of China's National Day holiday.

According to data from the General Administration of Customs, China imported 9.488 million tons of soybeans in August vs. 8.674 million tons in July. China's soybean imports from January to August increased 3.6% year-on-year to 67.099 million tons. In the first few months of this year, crushers increased their purchases of soybeans because of the expected strong demand from the rapidly recovering pig herd. However, shipments have slowed recently due to declining live pig prices, which have depressed demand for soy meal. Although farmers need to fatten their pigs and prepare for the upcoming holidays and winter, the demand for soybean meal usually picks up in late August and September. However, due to China's increase in soybean purchases earlier this year, it is expected that over the next few years monthly soybean shipments will not increase sharply, and the pig profit margin should remain at a low level.

Other Asian Countries

The IHS Markit Japan Composite PMI came in at 45.9 in August, down from July's 48.8, marking the worst reading since August 2020 and signaling a sharper deterioration in business conditions compared to last month. The disruption to factory activity by recent outbreaks of COVID-19 is expected to continue in the short term until the wave of infections passes and restrictions enacted under state of emergency laws are lifted. The private sector is optimistic that business conditions will improve in the year ahead. A Bank of Japan board member said on September 2 that the coronavirus pandemic may weigh on the economy longer than expected and stressed the BOJ's readiness to ramp up stimulus if needed.

Data released by the Ministry of Trade of South Korea on September 1, 2021 showed that thanks to the strong demand for chips and automobiles, South Korea's exports in August increased by 34.9% year-on-year to $53.2billion. This is the tenth consecutive month that South Korea's exports posted growth and the sixth month in a row that it grew by a double-digit rate. Imports increased 44% in August to $51.5 billion, leaving South Korea a trade surplus of $1.67 billion. In the meantime, South Korea's manufacturing PMI recorded the worst reading since October amid the latest Covid-19 outbreak. The IHS Markit Korea Manufacturing PMI declined to 51.2 in August from 53.0 in July. Factories commonly noted that shortages of raw materials and freight capacity led to weaker readings, but business owners remain confident that this would pass, and the activity would rise over next months.

The Reserve Bank of Australia decided to continue to withdraw from its QE program cautiously, which highlights the bank's belief that once the COVID-19 pandemic is controlled, the economy will rebound strongly. On September 9 the RBA announced that it will reduce the size of bond purchases from A$5 billion a week to A$4 billion a week, and said it will continue at least this level of bond purchases until mid-February 2022. The RBA also kept the benchmark interest rate unchanged at 0.1% and maintained the target of the 3-year Treasury bond yield unchanged at 0.1%, which was in line with market expectations. The RBA also stated that the conditions for raising interest rates will not appear until 2024 at the earliest.

As confirmed COVID-19 cases stabilized, New Zealand prime minister Ardern announced on September 6 that the nationwide lockdown would be lifted except for the biggest city, Auckland.

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The New Zealand interest rate market expects next month's central bank meeting may produce a 25 basis point increase in interest rates. Consequently, the New Zealand 10-year Treasury bond yield exceeded 2.0%, reaching the highest level since April, 2019. Some analysts believe interest rate hikes of 25 basis points in October and November are nearly a certainty. And if the COVID-19 situation improves further, the possibility that the Bank of New Zealand will raise interest rates by 50 basis points on October 6 should not be completely ruled out.

Questions or comments on this special monthly outlook, send them to sales@admis.com.