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

The USDA's October report was negative for corn, neutral soybeans and bullish for wheat prices. After the September USDA report, November soybean futures traded lower to near 11.84. A short covering rally has November soybeans now near 12.32. Initially December corn rallied from 4.97 to 5.48 then broke in response to the USDA September stocks report to 5.06 and is now near 5.33. Chicago December wheat traded from a low near 6.77 to a high near 7.63 before some profit taking took December Chicago wheat down to 7.12. December wheat is now near 7.40. December soymeal traded from 347 down to near 309. Managed fund short covering has taken December soybean meal now to near 324. December soyoil traded from 54.18 to a high near 63.08 following higher energy prices and hope for increased use for green fuel.

Grain prices are adjusting to a slower world economy, the global energy crisis and higher food and fuel inflation. In October, the USDA estimated the U.S. 2021/22 corn carryout to be near 1,500. The USDA raised the U.S. 2021/2021 corn carryout from 1,187 to 1,236. The USDA lowered feed use 50 mil bu and raised exports 25 mil bu. 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 October, the USDA increased the U.S. 2020/21 soybean carryout to 256 mil bu. The USDA left Brazil's soybean crop at 137.0 mmt and the Argentina crop at 46.0 but estimated Brazil's 2022 crop at 144 mmt and Argentina to 51 mmt. The USDA left China's soybean imports at 99.0 mmt and China's 2021/22 imports at 101 mmt. Concerns about Canada's canola crop have rallied world canola oil prices, while concerns about China's demand and lower Argentina prices continue to offer resistance to soymeal prices. The USDA raised the U.S. soybean yield to 51.5. The USDA raised the U.S. 2021/22 crush 10 mil bu. The key will be consumer (China) demand and 2022 South American weather.

In October, the USDA lowered the U.S. 2021/22 wheat carryout to 580 mil bu vs. 615 mil bu due to a lower crop. The USDA lowered the world 2021/22 crop from 780 mmt to 775 due to lower U.S. and Canada production. 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

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Live Cattle

If live cattle traders were short in September 2021, they had a good month of trading and wholesale beef buyers were able to buy beef cheaper. For the majority of the summer of 2021, live cattle slowly climbed from the spring lows, moving higher in a fairly tight range with a quick surge in the third week of August. But after Labor Day 2021, wholesale beef buying weakened, with Labor Day being the last of the big grilling times of the summer, live cattle and beef prices turned lower. September often is a month when beef prices decline when consumers are paying school tuitions and paying off credit cards from summer vacations. It can be a slow month for

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beef movement, especially for the high end cuts, steaks in particular, and September 2021 followed the course.

During September, October live cattle made the monthly high on September 1 at $128.17/cwt and by September 30 the low was $120.35/cwt. Live cattle futures prices dropped because boxed beef fell, especially the high end cuts, primal rib and primal loin sections, the sections where steaks and rib roasts are cut. On September 1, the choice cutout value was $337.92/cwt. Primal choice rib sections were $602.79 and primal loin sections were $430.46/cwt. On September 30, the choice cutout value was $292.70. Choice primal rib sections were down to $537.92 and primal loin sections were at $349.74. Rib sections lost $64.87/cwt and primal loin sections lost $80.72/cwt. The choice cutout value was down $45.22.

Live Cattle Futures - Weekly

Lean Hogs

After the high made for December 2021 lean hogs was made at the end of July, lean hogs traded lower into August, popped a few dollars by the end of August and peaked on September 1, settling the first day of the month at $82.47/cwt. By September 15, December lean hogs dropped to $71.70/cwt and settled the day at $72.25/cwt. With half of September to go, traders bought in shorts and December lean hogs rallied, ending on September 30 at $85.40/cwt for a gain of $3.45/cwt.

The National Pork Carcass Cutout in September influenced the fluctuation in hog prices. The pork cutout on the five-day average began the month at $112.39/cwt. By September 7 it had dropped to $108.44/cwt, and on September 15 it was down to $105.62/cwt. By the end of September the pork cutout was back up to $110.12/cwt.

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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

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Stock Index Futures

S&P 500 and NASDAQ futures advanced to new record highs in early September after Federal Reserve Chairman Jerome Powell in late August delivered a dovish speech at the Jackson Hole Federal Reserve symposium. Markets focused on the language of the Fed calling to de-couple asset purchases and interest rate decisions. With a timeline for tapering asset purchases still unknown, this was interpreted as meaning that an increase in the fed funds rate is an even longer way off than previously thought. In addition, futures were supported by the anticipation of strong third quarter corporate earnings reports.

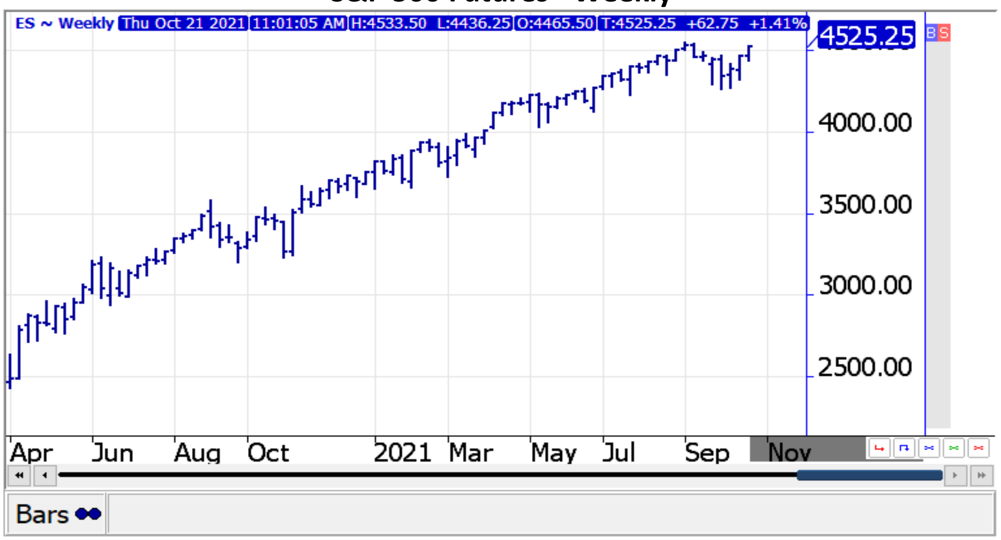
However, futures came under pressure in the second week of October due to the near-term prospects of central banks pulling back stimulus, the default of a major overseas real estate company, concerns about the pace of the global economic recovery and the ongoing debates over the debt limit in Washington. In addition, investors turned increasingly cautious after the weak U.S. August payrolls report.

There has been a strong rebound more recently for stock index futures, including new historical highs for S&P 500 and Dow futures, as upbeat earnings outweighed inflation fears. So far, 81% of the S&P 500 companies that have reported earnings beat market predictions, according to FactSet. Futures remain resilient despite crude oil prices remaining near seven-year highs and housing starts and building permits coming in weaker than anticipated. Housing starts in September were 1.555 million when 1.621 million were expected and building permits were 1.589 million, which compares to the predicted 1.680 million.

Overall, the fundamentals remain supportive for stock index futures. Keep in mind that the historically low fed funds rate of zero to 25 basis points is unlikely to be increased any time soon.

Higher prices are likely for stock index futures.

S&P 500 Futures - Weekly



U.S. Dollar Index

The U.S. dollar index advanced in September through mid-October to a one-year high. The greenback was supported by a safe-haven flow of funds in light of increasing evidence of slower growth in the global economy. In addition, the U.S. dollar index firmed when the Federal Reserve signaled it could start reducing asset purchases as soon as November. There was temporary pressure on the greenback on news of the headline weak August nonfarm payrolls portion of the employment report.

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. In addition, interest rate differential expectations remain supportive to the greenback.

Expect higher prices for the U.S. dollar at least up until the November 3 Federal Open Market Committee policy meeting.

Euro Currency

The euro currency has underperformed. Most economic reports have come in weaker than estimated. For example, construction output in the euro area dropped by 1.6% year-on-year in August 2021, which is the first month of contraction since a recovery started in March 2020. Building activity fell by 1.3%. Euro zone retail sales fell 2.3% from a month earlier in July, following the revised 1.8% growth in June and missing market expectations of a 0.1% increase.

There were limited gains on news that Germany's producer prices surged 12.0% from a year earlier in August 2021, accelerating from a 10.4% increase in the previous month and beating market expectations of up 11.4 %. This was the largest increase in producer costs since December 1974.

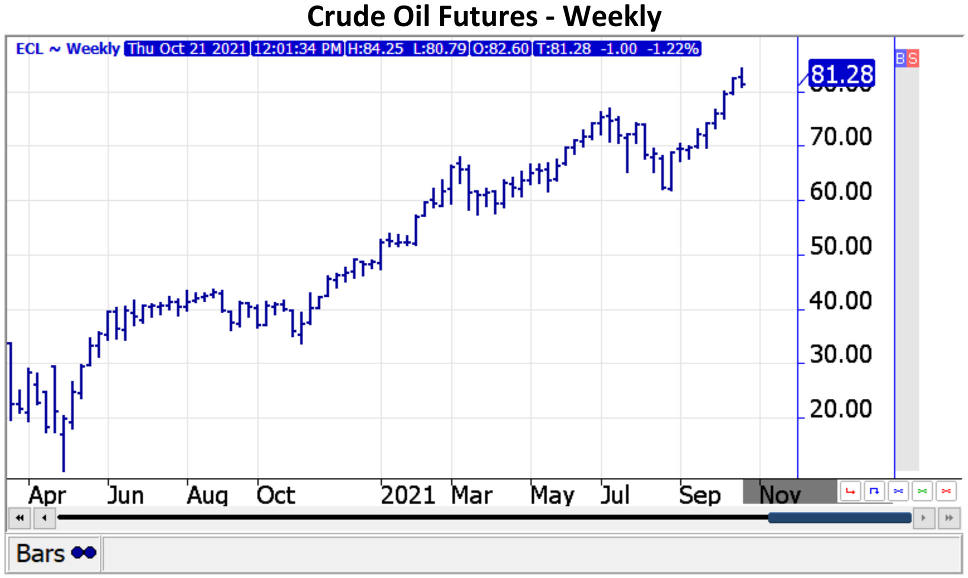
It is likely that the euro currency will trend lower over the near term.

Crude Oil

Since the third week in August crude oil futures have steadily marched higher, advancing to near the $84 a barrel level, which is a seven-year high. Much of the strength can be linked to supply tightness, as soaring natural gas and coal prices drove a switch to fuel for power generation and heating.

The EIA Petroleum Status Report showed a surprise draw in crude oil inventories in the U.S. last week, which was the first decline in four weeks. The EIA report showed an unexpected, small decline in US inventories of crude oil, a retreat in U.S. domestic oil production to 11.3M bpd, and a surprisingly-strong, fall season surge in gasoline demand, to 9.6M bpd. Gasoline and distillate inventories also decreased more than expected.

Crude Oil Futures - Weekly



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Gold

Gold futures prices have advanced since late September due to increasing inflation concerns. Some investors are using precious metals directly to hedge against rising inflation, since higher inflation in the future can erode the value of the U.S. dollar. Also, the latest run-up in energy prices added to fears that inflation will not fade soon.

Price strength was tempered by ideas that the Federal Open Market Committee will announce a timeframe for a tapering of its $120 billion a month asset-purchase program at its November 3 policy meeting.

The prospects of the Federal Reserve scaling back the pace of future interest rates hikes is providing a tailwind for the price of gold, since there is growing evidence that the rate of growth in the global economy is slowing.

I anticipate central banks will be less hawkish next year, which is long-term supportive to the yellow metal.

Gold Futures - Weekly

Charts from QST

Support and Resistance

Grains

December 21 Corn

Support 5.10 Resistance 5.60

November 21 Soybeans

Support 12.00 Resistance 12.50

December 21 Chicago Wheat

Support 7.20 Resistance 7.75

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Livestock

December 21 Live Cattle

Support	124.00	Resistance	135.50

December 21 Lean Hogs

Support	71.50	Resistance	81.50

Stock Index

December 21 S&P 500

Support	4470.00	Resistance	4595.00

December 21 NASDAQ

Support	15050.00	Resistance	15500.00

Energy

December 21 Crude Oil

Support	77.50	Resistance	84.50

December 21 Natural Gas

Support	4.600	Resistance	5.700

Metals

December 21 Gold

Support	1760.0	Resistance	1850.0

December 21 Silver

Support	21.80	Resistance	25.50

December 21 Copper

Support	4.3000	Resistance	4.5550

Currencies

December 21 U.S. Dollar Index

Support	93.350	Resistance	94.550

December 21 Euro Currency

Support	1.15800	Resistance	1.16950

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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 **19 October 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 robust exports performance of China and higher material prices brought by disrupted supply chains globally. Australia maintained its interest rate at 0.1% and New Zealand is anticipated to further increase interest rates in an effort to curtail a higher-than-expected inflation rate.

China

After a slump in August, China's factory activity recovered in September. The CAIXIN/Markit Manufacturing PMI rose to 50.0 in September from 49.2 in August, thanks to improved new orders, which expanded for the first time in the past three months. New export orders improved, but stayed in contraction, due to the resurgence of COVID-19 in overseas countries and insufficient shipping capacity. The employment index rebounded within contraction as enterprises remain cautious on hiring. However, expecting the COVID pandemic to end and demand to increase, confidence in the manufacturing industry for the year ahead rose to the highest level since June. In the meantime, China's official manufacturing PMI for September came in at 49.6, down by 0.5 percentage points from last month.

Thanks to surging prices for coal and other high-energy-consuming products, China's industrial inflation rate kept climbing. In September the PPI increased 10.7% year-on-year, setting a record high, while the consumer inflation rate fell for four months in a row to 0.7%, mostly because of declining pork prices. The "scissors difference" between the PPI and the CPI widened to 10%, which put policy-makers in a dilemma. The PPI is expected to remain high in coming months as commodity prices keep climbing.

China's foreign trade kept advancing in September. In dollar denominated terms, exports increased 28.1% compared to a year ago, while imports grew 17.6% year-on-year. The trade surplus for September stood at $66.8 billion. China's exports have been increasing for 11 months since last June. For the rest of this year, exports are expected to continue to grow, but taking into account a higher comparison basis from last year, the growth rate of exports might fall in the fourth quarter of this year. The power-rationing measures recently taken by the authority to combat coal shortages might take a hit on productions and slow down exports as well.

China's soybean imports in September fell 27.5% from last month to 6.88 million tons, 29.7% lower compared to last year, marking the lowest monthly import level since 2014. In the first nine months, China imported 73.97 million tons of soybeans, down 0.7% year-on-year. The slowing imports were attributed to negative crushing margins. This year, China's domestic pig farming profits have plummeted, which has hurt soybean meal demand and slowed demand for crushing. Soybean imports are expected to stay at a relatively low level in October, as the crushing margin has not recovered.

Other Asian Countries

The au Jibun Bank Japan Composite PMI for September stood at 47.9, improved from a final 45.5 a month earlier, but still in contraction. Both output and new orders contracted, the first instance since November 2020. As the recent wave of COVID-19 infections disturbed the supply chain and dampened domestic and global activity, sharply rising prices of raw materials put notable pressures on Japan's private sector. Japan's exports in September rose 13% year-on-year, half of August's growth rate. Car exports were down by 40% from last year. The USD/JPY rose to a four-year high of 114.70 over concerns that the disruption of the global supply chain could be extended and further undermine the fragile economic recovery.

Data from the Ministry of Trade showed South Korea's exports in September rose 16.7% compared to last year, reaching $55.83 billion and setting a single-month high record since the start of trade statistics in 1956. South Korea's exports have been increasing for 11 consecutive months and seven months in a row for double-digit growth. Imports increased 44% year-on-year to $51.56billion. A trade surplus of 4.2 billion was realized in September. The HIS Markit South Korea Manufacturing PMI increased to 52.4 in September from 51.2 in August, signaling a strong improvement in the health of the manufacturing sector. Both output and new orders growth accelerated, despite businesses continued to report severe supply chain disruptions. Input cost inflation slowed to a seven-month low, while output cost inflation accelerated, as firms increasingly sought to pass higher costs to clients. Business sentiment eased to an 11-month low.

The minutes of the Reserve Bank of Australia, released on October 19, announced the central bank will keep the three-year Treasury bond yield at 0.1% and stated that the conditions for raising interest rates will not be met before 2024. The Reserve Bank of Australia stated that it is committed to a highly supportive monetary environment and reiterated that it would not raise interest rates until inflation reaches 2%-3%. The central bank also believed that the impact of supply chain disruption on the CPI is limited and expected the CPI to gradually increase and the economy to rebound in the second half of 2022.

As New Zealand reported the highest level of inflation for the past 10 years for Q3, market expectations that the country's central bank will continue to raise interest rates strengthened and pushed the New Zealand dollar higher. Statistics New Zealand announced on October 18, 2021 that the CPI rose 4.9% in Q3 compared to last year. The Bank of New Zealand, which seeks to maintain the inflation rate near the midpoint of the 1-3% target range, raised the official cash interest rate earlier this month and hinted that supply chain issues and labor shortages are triggering price pressures, and there will be more interest rate hikes in the future. In the meantime, Auckland, the country's largest city had been locked down for two months, which has also affected production activities.

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

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