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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 **May 15, 2019.** This report is intended to be informative and does not guarantee price direction.*

In May, the USDA estimated world 2018/19 corn end stocks were 326 million tonnes. The increase was due to higher South American, U.S. and China supply. The USDA increased the total world exports estimate to be near 170.3 million tonnes with U.S. exports estimated to be near 58.4 million tonnes. The USDA estimated world 2019/20 corn end stocks at 315 million tonnes. The USDA estimated the total world exports to be near 171.6 million tonnes with U.S. exports estimated to be near 57.8 million tonnes. The next USDA report is June 11. The lack of a new trade deal with China and a bearish USDA May crop report helped push corn into new lows. U.S. spring Midwest weather has been wetter and colder than normal. This has slowed early field work. Late plantings has triggered managed fund short covering and a 34 cent rally in futures.

The USDA estimated world 2018/19 soybean end stocks near 113 million tonnes. The increase is due to a higher Argentina crop and a lower world crush. Total world exports are estimated to be near 150.3 million tonnes and U.S. exports are estimated to be near 48.3 million tonnes versus 51.0 last month. The USDA estimates China's 2018/19 soybean imports at 86.0

million tonnes versus 94.1 last year. The USDA estimated world 2019/20 soybean end stocks will be near 113 million tonnes. Total world exports are estimated to be near 151.1 million tonnes and U.S. exports are estimated to be near 53.0 million tonnes. The USDA estimates China's 2018/19 soybean imports at 87.0 million tonnes. There was some talk that delayed U.S. corn plantings could force farmers to switch to more soybean acres. The next USDA report is on June 11. This week China was an active buyer of South America soybeans. This helped push the Brazil soybean basis higher. Late U.S. plantings triggered managed fund short covering and a 54 cent rally in futures.

The USDA estimated world 2018/19 wheat end stocks at a record 275.0 million tonnes. The USDA estimated world 2019/20 wheat end stocks at a new record 293.0 million tonnes. The USDA estimated the world 2019/20 wheat crop at 777.5 mmt versus 731.5 this year. The U.S. 2019 wheat crop is estimated to be near 51.6 mmt vs 51.3 last year. Russia is estimated to be near 77.0 vs 71.7 last year. The E.U. crop is estimated to be near 153.8 vs 137.2 last year. The USDA is rating the U.S. 2019 winter wheat crop 64% good to excellent versus 36 last year.

Corn Futures - Weekly

Charts from QST

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

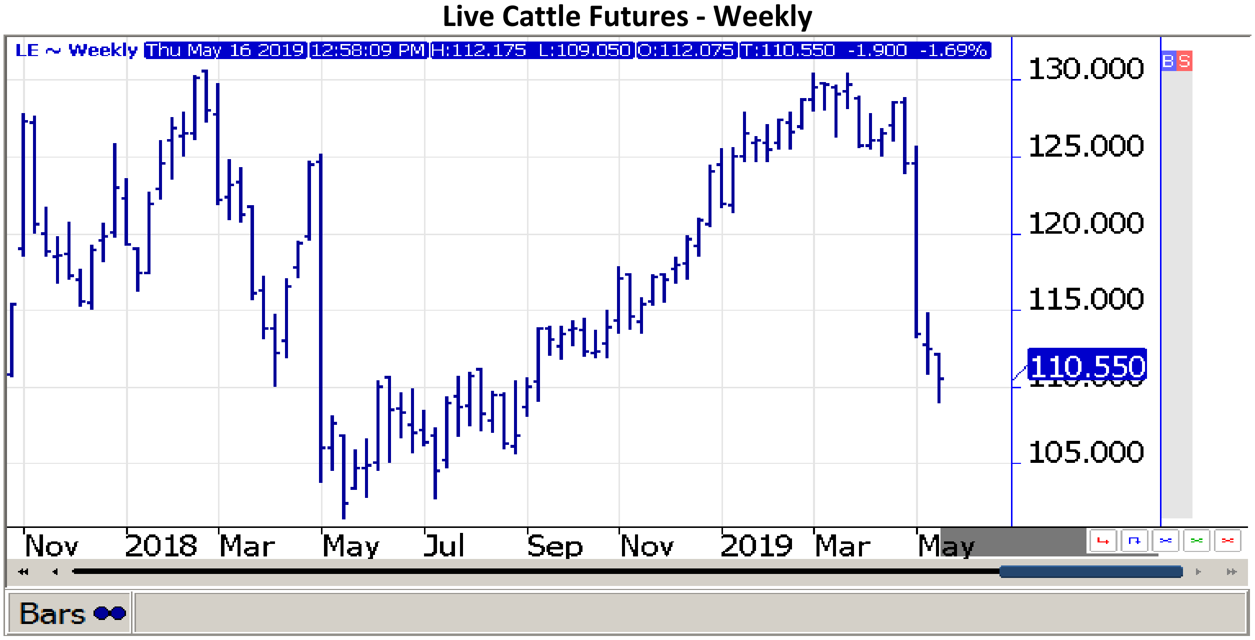
*The following report is an overview of the Livestock futures markets as of **May 15, 2019** and is intended to be informative and does not guarantee price direction.*

Live Cattle

After April live cattle topped in the latter part of March and fell close to $5.00/cwt, cattle reversed in the first week of April and it appeared April cattle futures were in store for a move higher. The choice boxed beef market, especially the highest priced primal cuts, ribs and loins, were the driving force. The cash cattle market at the beginning of April was par with futures from $125/cwt to $127/cwt. On April 1st primal rib sections were $370.28/cwt and loin sections were $307.41. By the end of the first week primal choice ribs were $378.15/cwt and loins were $309.49/cwt.

Beef was moving higher and it was a positive indicator for cattle and packers with big profits wanted to buy cattle and paid $1.00/cwt to $2.00/cwt higher the second week of April. However, into the third week of April, feedlots in Kansas accepted packer bids $2.00/cwt less than the previous week and did the same the last week of April. Also, cash cattle markets by the end of April were spread by $4.00/cwt between southwest feedlots and the Midwest. Midwest cattle were bringing the highest prices due to cattle that had been delayed because of the harsh cold and wet weather in late January and throughout February dropping the rate of weight gain. By the end of April, live cattle futures were down over $7.00/cwt.

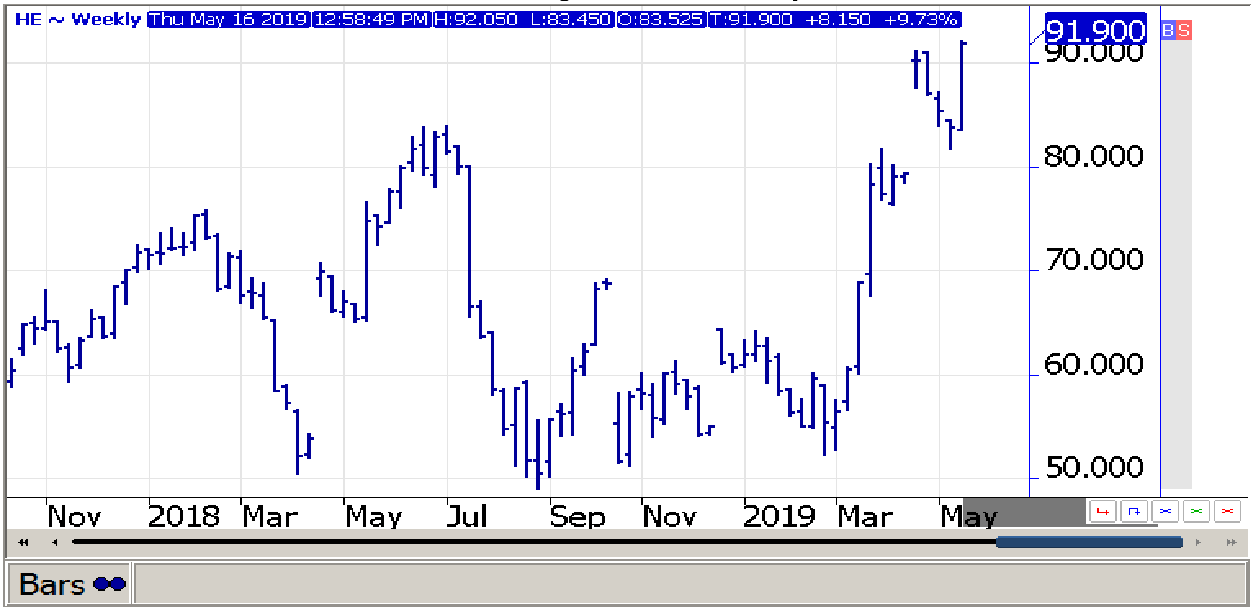
Live Cattle Futures - Weekly



Lean Hogs

For the first week of April, lean hogs were trading near contract highs with traders anticipating China would buy another large shipment of pork as they did twice in March. When April lean hogs went off the board on April 12th at $79.30/cwt, they were just $2.02/cwt off the contract high close on March 27th at $81.32. On April 12th when June hogs became the lead month, the closing price was $98.50/cwt, making the spread differential between April's settlement price and June lean hogs at $19.20/cwt, which was extremely wide. Normally the spread between April lean hogs and June lean hogs is between $7.00/cwt and $10.00/cwt. Without news that China was buying pork, on April 16th traders began to sell hogs and from the close on April 12th to the end of April, June hogs dropped $11.47/cwt.

Lean Hog Futures - Weekly



Charts by QST

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

*The following report is an overview as of **May 16, 2019** and is intended to be informative and does not guarantee price direction.*

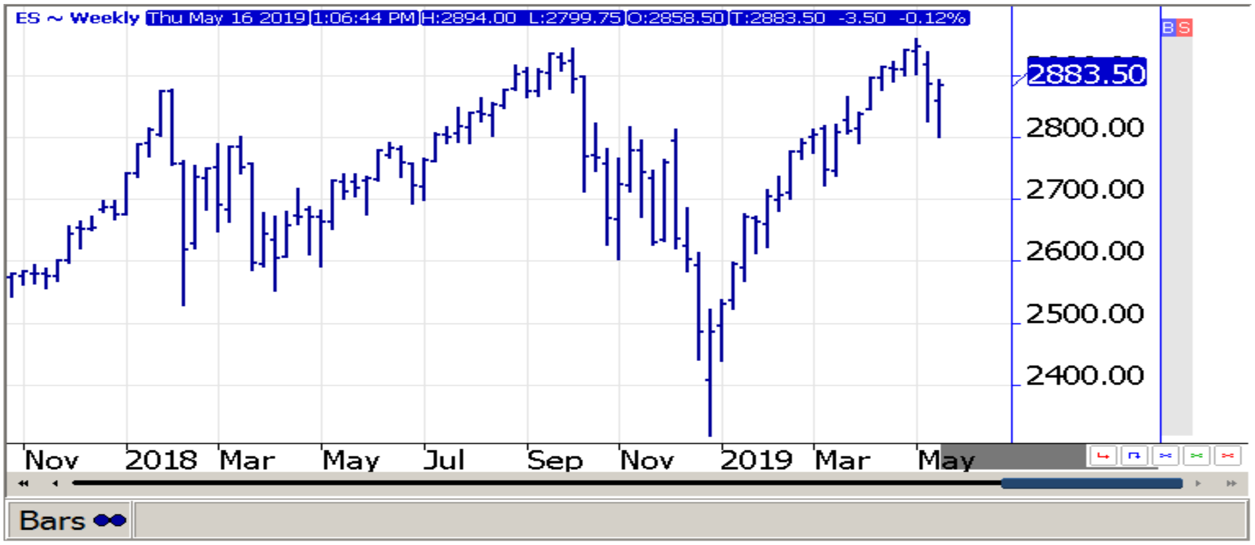
Stock Index Futures

S&P 500 stock index futures advanced to record highs on May 1 due to hopes of a U.S.-China trade agreement and a positive first quarter corporate earnings season. The better than expected earnings reports turned around earnings estimates for the first quarter to almost a 1% increase, which is a major improvement from the 2.3% decline that was expected at the beginning of the earnings season. However, stock index futures trended lower more recently, as trade tensions worsened. Stock index futures fell after President Donald Trump said he was in “absolutely no rush” to finalize a trade agreement with China and Beijing announced plans to place new levies on $60 billion in U.S. goods on June 1.

I believe the harder the decline is now due to trade issues, the faster and sharper the advance will be after a trade deal is reached. A new leg up for stock index futures is likely once the U.S. and China reach an agreement.

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 late April the U.S. dollar advanced to its highest level since June 2017. Some of the support for the greenback was linked to favorable interest rate differential expectations. However, the U.S. dollar retreated in May in spite of the stronger than anticipated U.S. employment report that showed the U.S. created 263,000 new jobs in April when an increase of 180,000 was expected and the unemployment rate fell to a 49 year low to 3.6% when 3.8% was anticipated. There were price pressures when Federal Reserve Chairman Powell hinted that a lower fed funds rate may not be forthcoming. Fed Chair Powell said he sees "no strong case" for moving rates in either direction and he remains confident that inflation will return to the central bank’s 2% target. In addition, he said the recent low inflationary pressures may only be “transitory.”

In the longer term view, interest rate differential expectations are slightly bullish for the greenback.

Euro Currency

The euro currency traded sideways to lower in May with most economic reports coming in on the weak side. For example, euro zone economic sentiment weakened for a tenth straight month in April, decreasing to 104 from 105.6 in March when economists had expected 105. In addition, the industrial confidence index fell sharply to -4.1 from -1.6, while the services measure was only steady at 11.5. In addition, the euro currency fell after the European Commission lowered its growth forecasts for the euro area and cut its projection for Germany, as it warned that escalating trade tensions threaten to make the economic outlook worse.

There was only temporary support for the euro on news that the euro zone reported its gross domestic product growth for the first quarter was 1.5% year-on-year, which is better than the 0.9% growth rate seen in the fourth quarter and better than analysts forecast.

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

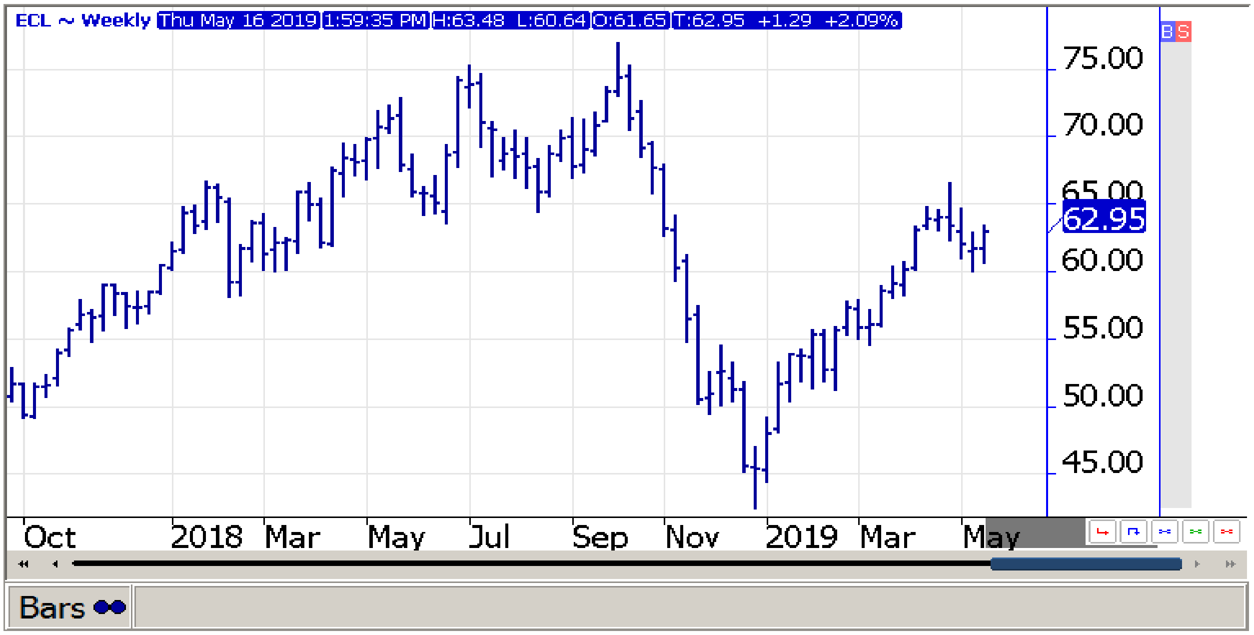
Crude Oil

The crude oil market has been caught between two opposing influences. Selling pressure in late April and early May was linked to prospects of weaker demand due to the slowing global economy. However, some of this selling has been offset by the bullish influence of rising tensions between the U.S. and Iran, which fueled worries of a disruption to Middle East oil supplies and shipments, especially after a U.S. official said Iran was likely behind recent attacks on oil tankers in waters off the United Arab Emirates. Tehran denied any involvement.

With investors mainly focusing on geopolitics, oil markets mostly disregarded a bearish weekly report from the Energy Information Administration that showed commercial inventories of crude oil in the U.S. climbed to a 20 month high of 472 million barrels.

Longer term, crude oil futures are likely to advance, especially if a trade agreement between the U.S. and China is reached.

Crude Oil Futures - Weekly



Gold

Gold futures in April erased all of its gains for 2019, falling over 5% since hitting a 10 month high in February and were at their lowest level since late December. Much of the pressure was linked to the belief that the U.S. and China will reach an agreement to end their month's long tariff fight, which caused safe haven vehicles to be liquidated, including precious metals.

However, since early May gold futures trended higher taking out several downtrend lines. Much of the strength can be linked to flight to quality buying in light of the intensifying trade dispute between the U.S. and China. There was support when it was reported that central bank net purchases of gold in the first quarter reached 145.5 tonnes, which is up 68% from the same quarter a year ago.

Flight to quality vehicles, including gold are likely to advance in light of the apparent lack of progress in the U.S.-China trade negotiations.

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Gold Futures - Weekly

Charts by QST

Support and Resistance

Grains

July 19 Corn

Support 3.50 Resistance 3.00

July 19 Soybeans

Support 7.80 Resistance 9.00

July 19 Chicago Wheat

Support 4.20 Resistance 4.80

Livestock

June 19 Live Cattle

Support 109.00 Resistance 118.75

June 19 Lean Hogs

Support 80.27 Resistance 97.32

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Stock Index

June 19 S&P 500

Support	2826.00	Resistance	2935.00

June 19 NASDAQ

Support	7435.00	Resistance	7734.00

Energy

July 19 Crude Oil

Support	61.10	Resistance	64.80

July 19 Natural Gas

Support	2.600	Resistance	2.730

Precious Metals

June 19 Gold

Support	1281.0	Resistance	1315.0

July 19 Silver

Support	14.350	Resistance	14.950

Industrial Metals

July 19 Copper

Support	2.7200	Resistance	2.7950

Currencies

June 19 US Dollar Index

Support	97.000	Resistance	97.950

June 19 Euro Currency

Support	1.11550	Resistance	1.12800

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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 **16th May 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 the trade talk between the U.S. and China, which worsened suddenly and the tariff impact might harm the country in the region again. NZ cut interest rates to record lows, and Australia might also cut rates soon after their election. The rebound of the PMI in Japan and Korea might not be sustainable.

CHINA

- In April, the CAIXIN China Manufacturing PMI came in at 50.2, down 0.6 percentage points from March, indicating that it is too early to tell that China's manufacturing sector has stabilized. The production index, new orders index and input price index fell, but stayed in expansion area. The new export orders index dropped into contraction from expansion. The employment index that jumped to a 74-month high in March slipped back into negative territory again. Encouragingly, business confidence regarding the one-year outlook for production improved to an 11 month high. In the meantime, China's official manufacturing PMI also eased to 50.1 from last month's 50.5.
- Thanks to surging pork, fruit and vegetable prices, China's CPI increased 2.5% year-on-year in April versus an increase of 2.3% in March. As food prices are still escalating, China's consumer inflation rate is expected to pick up in coming months. Affected by higher commodity prices and indications that the Chinese government has introduced more stimulus measures to boost demand, China's industrial producer price index (PPI) rose 0.9% year-on-year in April, which is its fastest pace in four months. Rising iron ore prices, which climbed 10.6% in April, was the main contributor to the PPI increase. But given a relatively higher comparison basis and commodities prices remaining stable, the PPI is expected to gradually fall back after May and turn negative in the second half.
- The ongoing "trade-war" is taking a toll on China's exports, which in dollar dominated terms fell 2.7% from last year in April versus a 14.2% growth in March. Imports increased 4% compared to last year. The trade surplus for April sharply shrank to $13.84 billion from March's $32.65 billion. Due to the trade dispute, in the first four months of this year,

China's exports to the U.S. fell 9.7% while imports declined 30.4% year-on-year. Meanwhile, the year-on-year growth rate of exports to the E.U. and ASEAN also slowed down noticeably. On May 10th, the U.S. announced it will increase the tariff on $200 billion worth of goods from China. In retaliation, China announced a tariff increase on $60 billion of U.S. goods. As the trade dispute escalates, China's trade might suffer and negatively impact the economy.

- China's soybeans imports significantly increased 55% to 7.64 million tons compared to last month. On a yearly basis, the number climbed 10.7%. The surge was because some imported soybeans shipments that were supposed to arrive in March were postponed to arrive in April, as the Chinese government lowered the value added tax on agricultural products since April 1st 2019. In the first four months of 2019, China's soybean imports totaled 24.39 million tons, down 7.9% compared to last year, because China imposed tariffs on U.S. soybeans, which restricted soybean imports from the U.S. On the other hand, the African swine fever has led to a reduction in live pig stocks and also limited demand for imported soybeans.

OTHER ASIAN COUNTRIES

- The Bank of Japan kept interest rates unchanged in its April meeting, but cut its growth and inflation forecast for fiscal 2020 and committed to keep rates low until spring 2020. Recession risks and global uncertainty are the reasons that kept the BoJ dovish. The April manufacturing PMI climbed back to the expansion zone, but export orders and output are still falling, and the escalating trade war between the U.S. and China might make the rebound short-lived.
- The Bank of Korea keep key interest rates unchanged, but cut its 2019 growth forecast from 2.6% to 2.5% and its inflation forecast from 1.4% to 1.1%. Helped by employment expansion, the April manufacturing PMI ended five months of contraction and improved to 50.2. The Korean Won sunk amid escalating geopolitical tension with North Korea and the return of trade war threats.
- New Zealand cut interest rates to all-time lows of 1.5% due to slowing global economic growth. As the central bank signaled "a lower path for the OCR over the projection period was appropriate," a further rate cut is possible. Poor job data with the unemployment rate increasing to 5.2% there is a greater chance the Reserve Bank of Australia will cut rates. The market is fully pricing in a 25 bp cut by the end of this year and the decision might be made as early as June. The lower rate expectation has put downside pressure on the Kiwi and Aussie.