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

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 ***November 21, 2018.*** *This report is intended to be informative and does not guarantee price direction.*

From mid-October to mid-November soybean and corn and futures traded mostly sideways. Lower U.S. 2018 crops offered support, but uncertain demand and talk of higher 2019 crops offered equal resistance. Wheat futures traded lower. Slow U.S. export demand and talk of higher 2019 world supplies offered resistance. The USDA November crop report was neutral to friendly. In November, the USDA estimated the 2018/19 soybean yield to be lower than in October. The corn yield was also lower.

January soybeans are near $8.80 and March corn is near 3.70. March Chicago wheat is near 5.10. The S&P 500 stock index is near 2650 and January crude oil futures are near $54.65. Global geo political issues and a slower world economy have kept currency, energy and financial markets volatile. The U.S.-China trade issue remains a big soybean price unknown. Managed funds continue to be net soybean, soyoil and wheat shorts and small net soymeal and corn longs. The South America 2019 crop weather is mostly favorable.

United States

USDA estimates U.S. 2018/19 corn carryout near 1,736 (-77)
USDA estimates U.S. 2018/19 soybean carryout near 955 (+70)
USDA estimates U.S. 2018/19 wheat carryout near 949 (-7)

World

World 2018/19 corn end stocks are estimated at 307.5 mmt (-33.4)
World 2018/19 soybean end stocks are estimated at 112.1 (+2.1)
World 2018/19 wheat end stocks are estimated at 266.7 (+6.5)

Argentina

Although the economy remains mired in recession, the latest political developments and available economic data provide a glimmer of optimism. On October 25, the lower house of Congress approved the 2019 austerity budget, and the following day the IMF formally approved the revised standby agreement. Meanwhile, financial markets seem to have welcomed the new monetary strategy with the net demand for foreign assets moderating in September.

Brazil

Conservative Jair Bolsonaro was elected president on October 28, after a polarizing and turbulent election cycle. Bolsonaro campaigned on a largely market friendly platform, promising to continue with economic reforms and curb the worrisome fiscal deficit, which should bode well for the economy going forward if enacted. That said, Bolsonaro is a controversial and wildcard figure. He could have difficultly drumming up support in Congress to pass legislation throughout his tenure, while some uncertainty remains regarding his incoming policies. Meanwhile, there has been mixed economic data recently. The unemployment rate fell in the third quarter and consumer confidence jumped in October, providing positive signs for household spending. However, industrial production contracted sharply in September and business confidence declined further in the following month.

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 November 21, 2018 and is intended to be informative and does not guarantee price direction.

Stock Index Futures

Recent weakness in stock index futures was due to ongoing political uncertainties in Europe, questions concerning the fate of the U.S.-China trade talks and fears of a slowing global economy.

Also, recent economic reports have been weaker than expected. For example, orders for durable goods in October, which are products designed to last at least three years, decreased 4.4% from the prior month. That was the largest monthly decline in new orders since July 2017. Economists had expected a 2.6% decline for orders last month. In addition, housing starts in October were 1.228 million, which compares to expectations of 1.240 million.

In spite of the recent pressure on stock index futures, history has shown that U.S. equity markets after the midterm elections have a tendency to advance through year-end and also into the following year. The third year of a presidential term is historically the strongest year for stock index futures.

The next advance for stock index futures will take place when central banks around the world that are hawkish, such as the Federal Reserve, realize they need to be less aggressive in hiking interest rates and those central banks that are still accommodative, such as the European Central Bank, will need to remain accommodative longer.

U.S. Dollar

Earlier this month the U.S. dollar index advanced to a 17 month high due to safe haven flows in light of continuing global growth worries and rising political risks in Italy and the U.K. The greenback was able to hold up well in spite of on balance weaker than expected economic reports in the U.S.

However, more recently there has been pressure when Federal Reserve policymakers showed more concern about a potential global slowdown, causing analysts to suspect the Fed's tightening cycle may not have much further to run. Some analysts are going so far as to say the Federal Reserve may be starting to consider at least a pause next year to its gradual monetary tightening policy.

If I am correct in my belief that the Federal Open Market Committee will increase its fed funds rate no more than two times next year, gains in the U.S. dollar will be limited.

Euro Currency

Since the highs were made in late September, the euro currency has stair-stepped lower. There are two main reasons for this. First of all, many of the economic reports in the euro zone have been weaker than anticipated. Underscoring this were comments from the European Union when it said the euro zone economy will cool this year and in the coming years, as global demand for the bloc's exports slow.

Secondly, the euro was pressured by renewed concerns over Italy's budget deficit. Italy's Deputy Prime Minister Matteo Salvini said the government would not cave to market pressure and backtrack from its plans to increase deficit spending in 2019. Salvini also said his government could stop European Union budget decisions if the E.U. continues to show disrespect to his countrymen.

It will be difficult for the currency of the euro zone to mount a sustained rally, as political issues remain unresolved and the European Central Bank will not be in a position to increase interest rates until possibly late in 2019, or later.

Crude Oil

Since early October, crude oil futures have steadily worked lower, falling to their lowest level in more than a year, as investors have been increasingly concerned about oversupply and the health of the global economy.

There was a limited recent recovery in spite of news that the U.S. Energy Information Administration reported that crude stockpiles increased by 4.9 million barrels in the week ended November 16, compared with analysts' estimates of a 1.9 million barrel increase. Overall, however, there was a total petroleum draw, as stockpiles of oil products such as gasoline and distillates fell. Gasoline inventories declined by 1.3 million barrels and distillate fuel inventories were down by 100,000 barrels. Also, the American Petroleum Institute released figures showing a surprising 1.5 million barrel decrease in crude supplies.

Longer term, crude oil futures are likely to come under additional downside pressure.

Gold

The lows were made in mid-August, which coincided with highs for the U.S. dollar. Gold futures have been able to trend higher in spite of tighter credit from the Federal Reserve, including the fed funds rate increase on September 26 and another likely in December.

There are indications that a major bottom may be forming, as bearish sentiment on gold has surged with speculators having become extremely short. In addition, gold futures are likely to be supported by the increasing probabilities of a less hawkish Federal Reserve in 2019.

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 **21st November 2018**. 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 slowdown of Chinese manufacturing activities despite strong exports data in the midst of a trade war. The recent decline in crude oil prices eased the concerns over the emerging market situation, which is supportive to some Asian currencies such as Indian Rupee and Indonesian Rupiah.

CHINA

- After an expansion of 27 consecutive months, China's manufacturing sector seemed to lose momentum. The CAIXIN China manufacturing PMI came in at 50.1 in October, which is slightly higher than last month's 50.0. According to surveyed factories, flagging domestic and external demand curbed the production. New orders edged up, while new export orders dropped for the seventh month in a row, but at a slower pace than in September. The industry's optimism fell to its lowest level in 11 months due to concerns about the current downturn in the market and the impact of the Sino-U.S. continuing trade dispute. The official manufacturing PMI fell sharply in October to 50.2 from last month's 50.8.
- China's consumer inflation rate in October stayed at 2.5%, the same as last month, as food prices eased. On the industrial side, the PPI increased 3.3% year-on-year, which is the lowest level in the past seven months. The decline in the PPI of the raw materials and processing industries is attributed to the drop of the PPI in October. In the last months of 2018, since oil prices have fallen significantly and food prices are expected to remain stable, the CPI is estimated to be moderate and the PPI is expected to further decline.
- Despite being clouded by the U.S. tariffs, China's exports in dollar dominated terms unexpectedly rose 15.6% from a year earlier in October, while imports expanded 21.4%, leaving the country a trade surplus of $34.01 billion. China's exports to the U.S. increased

13.2% compared to a year earlier, because shippers rushed goods to the U.S. before higher tariffs kick in at the start of next year. China has taken measures such as increasing the export tax rebate and pledging more support to private firms to boost exports. Exports are expected to remain strong in Q4 as businesses tends to ramp up shipments because they are afraid of an unsuccessful meeting between President Trump and President Xi, which might lead to broader tariffs.

- Due to worries that the trade war could cause tight supplies in the fourth quarter, Chinese buyers increased imports of Brazilian soybeans. In October, China imported 6.92 million tons of soybeans, 18% higher than last year. On monthly basis, the volume dropped 13.6% compared to September's 8.01mmt. In the first 10 months, China imported 76.93 million tons of soybeans, slightly lower than last year's 77.30 million tons. As of mid-October, China's soybean meal stocks reached 89.31 million tons, the highest level in the same period for the past eight years. Soybeans imports in coming months are expected to continue dropping. A supply shortage might occur at the beginning of next year. Imports from the U.S. are in suspension, since buyers are awaiting the result of the Trump-Xi G-20 meeting in late November.

OTHER ASIAN COUNTRIES

- As Japan was hit by several natural disasters during the third quarter, negative GDP growth of -3% was recorded for Japan's economy, mainly due to weaker consumer spending and exports. Yet analysts anticipate Japan has been recovering well starting from October and expect Q4 GDP growth to rebound to a positive rate at around 2.1%. The BOJ at it recent policy meeting kept interest rates unchanged at -0.1% and revised lower the inflation forecast of the current fiscal year to 0.9% from 1.1%.
- Korea's Q3 GDP was at 0.6% quarter-over-quarter, lower than the market expectation of 0.7% with a decline in domestic investment hindering a possible rate hike in November. The BOK revised down its previous growth forecast of 2.9% to 2.7% due to uncertainty over the trade tensions. Semiconductor shipments softened in the first 20 days of November, implying a slower year-over-year growth of 3.5% merely, comparing with 22.2% growth in October. Dampened semiconductor shipment lead to slower export growth of November at around the 5.7% level. Concerns over weakening demand from the chip industry worldwide are growing.
- Although crude oil prices dropped substantially recently, the Indian crude oil import has risen 10.5% to the highest level in seven years. RBI chairman Raghuram Rajan has admitted that the demonetization and sales tax have hurt the economy. However, he expected India's economic growth rate will be at more than 7% in the coming 10 to15 years.

- The Indonesian Rupiah rallied to Rp14,600 USD, after falling to the lowest level since 1998. The fall in oil prices and loosened trade tensions helped improve the prospect for emerging markets. The Q3 GDP growth slowdown at 5.17% was lower than the previous quarter, but matched market expectations due to a weaker household spending and export.
- Australia's RBA revised up its expectation of its growth to 3.5% from the previous estimate of 3%. With 32,800 new jobs created, the October unemployment rate remained unchanged at 5%, which was lower than the market expectation of 5.1%. RBA Governor Philip Lowe noted that the unemployment rate can possibly drop to the 4.5% level without lifting wage growth too much. Market participants continue to keep a close watch on the housing market in Australia. The RBA has warned that the tightening of housing lending could be a risk to Australia's economic outlook.
- New Zealand's Q3 unemployment rate declined from 4.4% to 3.9%, below market expectations and recorded the lowest level since 2008. The RBNZ kept its interest rate unchanged at 1.75%, meeting market expectations. The RBNZ added that the rates would be frozen at the same level in 2019 and 2020. A business confidence index remained weak, but improved slightly to -37.1 from -38.3.