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 **June 20, 2018.** This report is intended to be informative and does not guarantee price direction.*

From mid-May to mid-June soybean futures have traded sharply lower on concerns over a U.S. and China trade war. Corn futures also trended lower on trade war talk with Mexico and Canada, along with a record start to the U.S. 2018 corn crop. Wheat futures backed off the recent highs on a higher U.S. dollar and improving U.S. weather. In June, the USDA lowered the 2018/19 soybean and corn carryout. The USDA lowered the U.S. and world 2018/19 corn carryout, but raised the world wheat and soybean carryout.

July soybeans are near $9.00. July corn is near 3.50 and July Chicago wheat is near 4.80. S&P 500 futures are near 2760 with global trade issues offering resistance. August crude oil futures are lower and near $65.00 on talk of higher global supplies. Global geopolitical issues have kept currency and financial markets volatile. Growing global economies, though remain supportive. Uncertainty over the outcome of NAFTA and talk of normal 2018 global supply could limit the upside in corn prices. The US - China trade issue is a big soybean price unknown.

United States

USDA estimates U.S. 2017/18 corn carryout near 2,102 (-80)
USDA estimates U.S. 2018/19 corn carryout near 1,577 (-105)
USDA estimates U.S. 2017/18 soybean carryout near 505 (-25)
USDA estimates U.S. 2018/19 soybean carryout near 385 (-30)
USDA estimates U.S. 2017/18 wheat carryout near 1,080 (+10)
USDA estimates U.S. 2018/19 wheat carryout near 946 (-9)

World

World 2017/18 corn end stocks at 192.7 mmt (-2.1)
World 2018/19 corn end stocks at 154.7 mmt (-4.5)
World 2017/18 soybean end stocks was estimate at 92.5 mmt (+0.3)
World 2018/19 soybean end stocks was estimate at 87.0 (+0.3)
World 2017/18 wheat end stocks was estimate near 272.4 mmt (+1.9)
World 2018/19 wheat end stocks was estimate near 266.2 (+1.9)

Argentina

Argentina and the IMF reached a preliminary agreement on June 7 for a three year USD 50 billion standby arrangement that will keep the economy afloat. While the final agreement is still subject to approval by the IMF board, the government promised to now accelerate economic reforms, including reforming the central bank charter, reducing currency interventions and achieving a primary fiscal surplus by the year 2021.

Brazil

The recovery has lost some traction as the uncertain presidential election draws near. Growth nearly halved in the first quarter on the back of weaker investment and export growth. The unemployment rate rose in Q1, suggesting ample slack, and the consumer confidence index dropped further into pessimistic territory in May.

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

The following report is an overview as of June 21, 2018 and is intended to be informative and does not guarantee price direction.

Stock Index Futures

Stock index futures performed well in spite of increased global trade tensions. In fact NASDAQ and Russell 2000 futures advanced to new record highs. There was only temporary pressure on futures when the Trump administration announced that the U.S. will implement a 25% tariff on $50 billion of goods from China related to intellectual property and technology, and pledged to impose additional levies if China takes retaliatory steps. The list will target 800 product categories, which was down from 1,300 previously.

Also, President Donald Trump threatened to impose a 10% tariff on $200 billion of Chinese goods and Beijing warned it would respond with “qualitative” and “quantitative” measures. In addition, President Trump said if China retaliates with additional tariffs, he would place further tariffs on Chinese goods of up to a total of $450 billion.

More recently stock index futures are able to advance in spite of news that the European Union will start charging import duties of 25% on a variety of U.S. products after Washington imposed tariffs on E.U. steel and aluminum at the beginning of June.

Stock index futures are higher even though the World Bank said global growth is likely to slow over the next two years as central banks increase borrowing costs and the impact of U.S. fiscal stimulus starts to fade. Also, stock index futures were supported by speculation of possible increased merger and acquisition activity, along with stronger than expected retail sales numbers, the biggest jump in 8 months, which were up .8% when a gain of .4% was expected.

Ironically, in what appears to be a worsening global trade situation, we are seeing less and less negative reaction in the financial markets. It was just last week that NASDAQ and Russell 2000 futures hit new historical highs. Traders appear to be gradually shifting their focus of attention more toward the still overall bullish overall accommodative global interest rate policies and away from the geopolitical worries.

U.S. Dollar

The U.S. dollar advanced to an 11 month high after the Federal Open Market Committee voted 8 to zero to increase its fed funds rate by 25 basis points to a range of between 1.75% and 2.00%. FOMC officials predicted a total of four rate increases for this year, which is up from a projection of three rate hikes at their March meeting. Also, Fed officials see three rate increases in 2019 and one in 2020.

Interest rate differential expectations continue to support the greenback, with the probability of a fed funds rate increase at the Fed’s September 26 meeting at 80%. Other Group of Seven central banks are unlikely to hike interest rates any time soon. The Bank of England could increase its key lending rate in December and the European Central Bank may not be in a position to hike its main lending rate until mid-2019 or later. The greenback was also supported by a flight to quality flow of funds in light of rising global trade tensions.

Euro Currency

The euro currency trended lower in April through the end of May as interest rate differential expectations remained unfavorable to the currency of the euro zone. However, in early June there was support due to speculation that the European Central Bank at its upcoming policy meeting could announce it will conclude its bond purchasing stimulus program in December.

However, prices declined sharply when the ECB at its policy meeting said it will not raise euro zone interest rates before the middle of next year. There was additional selling due to tensions within the governing coalition in Germany, as Chancellor Merkel's Bavarian allies defied her on immigration issues, which risks destabilizing her three month old governing coalition.

It will be difficult for the euro to advance due to the headwinds of unfavorable interest rate differentials, political uncertainties and ongoing global trade issues.

Crude Oil

In the third week in May crude oil prices advanced to their highest level since December 2014 due to reduced supply and because of an anticipated increase in global demand. Turmoil in the Middle East and the reimposition of U.S. trade sanctions against Iran also supported crude oil prices.

However, more recently prices declined on news that major oil exporters, Russia and Saudi Arabia, were pushing to ramp up production. A top Saudi energy official said that the proposed increase could be gradual that would be implemented in the third quarter. Russia pushed for a boost of as much as 1.5 million barrels a day, while Saudi Arabia and other Persian Gulf producers countered with a lower number, while Iran said it doesn't want to increase production at all.

Longer term, crude oil futures are likely to resume the uptrend due to an improving global economy and overall supply and demand imbalances.

Gold

After peaking in April, gold futures stair stepped lower as the U.S. dollar climbed and the outlook for Federal Reserve policy remained hawkish. From time to time, there has been limited flight to quality buying in light of heightened global trade uncertainties. However, the bearish influence of the strengthening greenback outweighed the bullish impact of the flight to quality influence.

Increased global inflation levels are likely to take place later this year, which should support the price of the yellow metal.