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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 **July 15, 2020.** This report is intended to be informative and does not guarantee price direction.*

Corn futures had a wild ride since mid-June. Futures rallied after the USDA June acreage report was near 3.53. Improving U.S. Midwest weather sank prices to near recent lows at 3.22. The USDA estimated the U.S. 2019/20 corn carryout to be near 2,248 million bushels. This was due to lower feed/residual use as a result of a higher estimate of June 1 stocks. The USDA estimated the U.S. 2020 corn crop at 15,000 million bushels. The drop was due to a farmer survey that lowered U.S. 2020 acres. This dropped the U.S. 2020/21 corn carryout to 2,648 million bushels. Managed funds reduced their record net short positions after the USDA acreage report. Funds added to their net short positions once U.S. Midwest weather improved. The USDA dropped its estimate of the world 2020/21 corn carryout to 315.0 mmt. Corn futures remain in a carry, suggesting demand does not need farmers to sell their inventories now. U.S. crop conditions declined due to a week of hot and dry weather. Conditions though still favor an above average crop.

The USDA estimated the U.S. 2019/20 soybean carryout to be near 620 million bushels. This was due to a lower residual. The USDA estimated the U.S. 2020 soybean crop to be 4,135 million bushels and raised the U.S. 2020/21 soybean carryout to 425 million bushels. Managed funds increased their net long positions due to hopes of increased China buying of U.S. soybeans. Soybean futures have little carry, which suggests demand needs U.S. farmers to sell cash. The U.S., South America and China soybean crush margins continue to decline. U.S. crop conditions declined due to a week of hot and dry weather. Conditions though still favor an above average crop.

The USDA continues to estimate China's 2020/21 soybean imports to be near 96.0 mmt versus 96.0 this year and 82.5 last year. Some analysts believe actual China soybean imports may be less than the USDA guess.

In July, the USDA dropped the world 2020/21 wheat crop to be near to 769 mmt. Most of the drop was in Europe. The USDA dropped slightly the world 2020/21 wheat carryout to be near 315.0 mmt versus 297.1 last year. The USDA also dropped the U.S. 2020 wheat crop 53 mil bu to

1,824. This was also bearish to prices. Managed funds are mostly even wheat futures. The completion of the U.S. winter wheat harvest and higher French prices helped support prices. The slow start to the world export trade due to the virus offers resistance.

Corn Futures - Weekly

Charts from QST

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

The following report is an overview as of ***July 15, 2020*** *and is intended to be informative and does not guarantee price direction.*

Live Cattle

Live cattle futures trading slowed to a turtle's pace in June. August live cattle futures on June 1 settled at $98.97/cwt and on June 30 closed the month at $96.27. Beef packers and processors were able to increase slaughter capacity. With the increasing cattle slaughter there was also additional carcass weights. Steer carcasses for June 2020 averaged about 50 pounds heavier than June 2019. June did not eliminate all the backed up cattle. By the end of June 2020, the year to date slaughter was down 6.0% compared to the same time in 2019.

By June, the shortages of beef, pork and poultry products that occurred in April and May were no longer a problem and boxed beef prices dropped with the larger slaughter and heavier cattle. There was also a significant change in what consumers were buying. With the high global unemployment and restaurants closed or partially opened across the globe, consumers bought ground and processed meat products. Compared to a year earlier when high priced cuts such as roasts and steaks at home or at restaurants were purchased, by 2020 processors were often using the entire carcass for trimmings and ground products especially select grades.

On May 29, 2020 choice boxed beef was $363.34/cwt and select boxed beef was $340.07/cwt. On June 30, 2020 choice beef was down to $206.97/cwt and select dropped to $199.90/cwt. Cash live cattle prices in June dropped from the beginning of the month averaging $117.00 to $96.25/cwt and dressed beef prices were down from $185.00/cwt to $155.00/cwt.

Live Cattle Futures - Weekly

Lean Hogs

Lean hog futures in June continued the trend down that began in January. On May 29 August 2020 lean hogs settled at $56.72 and on June 30 August lean hogs were $49.02/cwt with a new contract low made on June 26 at $47.52/cwt. Even with U.S. hog slaughter down at the beginning of June, close to 20% from the levels of January and February, hog and pork prices were pressured lower. The record pork exports in the first quarter of 2020 to China did not help support prices. Consumers changed purchasing patterns and bought pork products that would stretch the food budget, such as ground and processed pork instead of pork chops and big hams. China and Mexico took whole carcasses versus boxed primal cuts. Hogs also moved lower as world hog supplies grew. Brazil set new record pork exports and European Union pork countries grew by 3.0% in 2020, producing nearly 47% more hogs than the U.S.

By the end of June, the U.S. hog slaughter was only down 0.7% for the year compared to the same time in 2019. Pork prices fell from June 1 when the pork carcass composite cutout was $81.04/cwt to June 30 at $63.12/cwt. The CME lean hog index began the month at $61.25/cwt and ended June at $45.23/cwt.

Lean Hog Futures - Weekly

Charts provided by 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 **July 16, 2020** and is intended to be informative and does not guarantee price direction.*

Stock Index Futures

In recent weeks stock index futures have overperformed the news as the technical situation continues to improve. Stock index futures are substantially higher since the lows were made on March 23. In fact, NASDAQ futures were able to advance to a record high and are substantially above the psychological 10,000 resistance level.

Economic news has come in mostly stronger than expected. For example, June nonfarm payrolls increased 4,800,00 when a gain of 3,000,000 was expected and the unemployment rate was 11.1%, which compares to the anticipated 12.4%.

In addition, much of the recent gains are linked to a variety of fiscal and Federal Reserve stimulus efforts. Several Federal Reserve bank presidents hinted that more stimulus is coming. Also, some of the strength was linked to comments from Federal Reserve Governor Lael Brainard when she said "fiscal support will remain vital" to the economic rebound and Dallas Federal Reserve Bank President Robert Kaplan said U.S. economic growth will accelerate next year.

Stock index futures will continue to be supported by the belief that any slowdown in the global economic recovery will be met with additional accommodation from the world's central banks, along with more fiscal stimulus.

S&P 500 Futures - Weekly

U.S. Dollar Index

In mid-May the U.S. dollar broke out to the downside from a two-month trading range. Some of the pressure on the U.S. dollar was due to flight to quality long liquidation in light of higher stock index futures. There was some selling when it was reported that the first quarter U.S. gross domestic product was down 5.0% when a decline of 4.8% was anticipated.

There was some safe-haven demand for the greenback, as diplomatic tensions between the U.S. and China remained and after it was reported that the U.S. was considering tariffs on exports from Britain, France, Spain and Germany. There was limited support on news that U.S. June industrial production was up 5.4% when an increase of 4.4% was anticipated and June capacity utilization was 68.6% when 68.1% was predicted.

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Euro Currency

The euro currency advanced in June when the European Central Bank at its regularly scheduled policy meeting almost doubled its asset-buying program. The ECB is adding EUR600 billion ($675 billion) to the EUR750 billion that it announced in March.

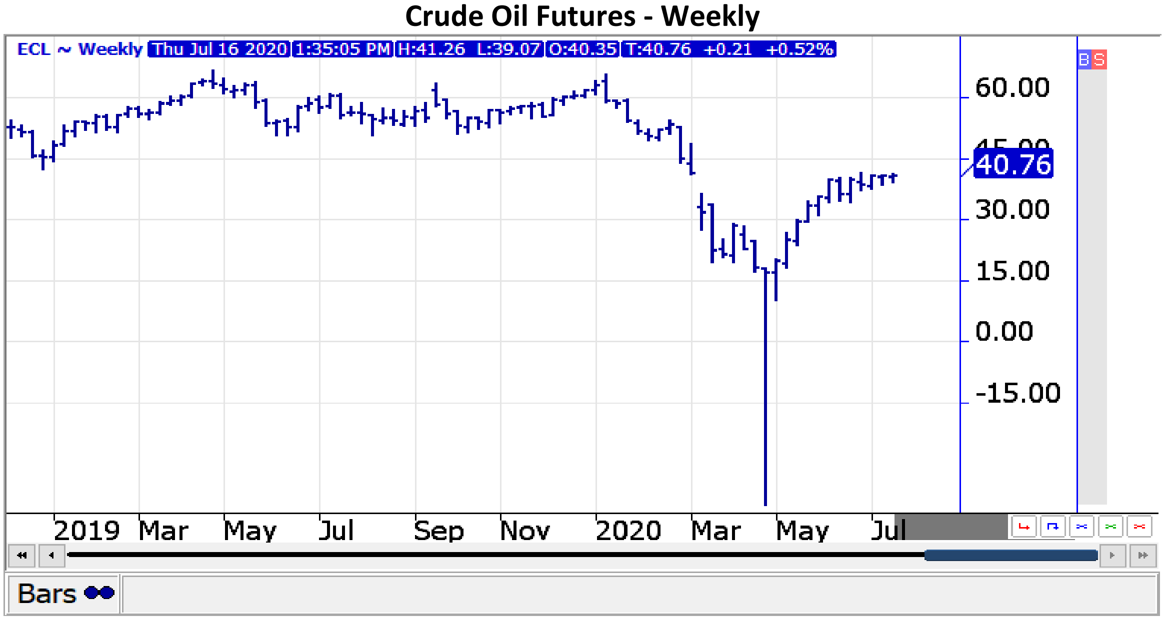
The euro advanced in spite of news that German economic expectations fell slightly in July after three months of gains, according to the ZEW economic research institute. The measure of economic expectations declined to 59.3 in July from 63.4 in June. The outcome was below the economists' forecast of 60.0. The currency of the euro zone was also able to shrug off news that employment in the German industrial sector at the end of May fell 2.1% from the previous year, representing 122,000 fewer workers.

Crude Oil

U.S. crude oil prices recently advanced to a four-month high. However, there was some profit taking as some investors questioned whether a plan by OPEC to begin phasing out its emergency production cuts may be too soon. There was support for futures on news that EIA data showed a big, 7.5M-bbl weekly drop in US crude-oil inventories. Some of this was due to an increase in air travel, which led to the huge crude oil drawdown

The improving supply/demand situation suggests the uptrend for crude oil prices will continue.

Crude Oil Futures - Weekly



Gold

Since the lows were made on March 16, gold has advanced $375 to near the 1830 level. The safe haven metal is still near its highest level since 2011, as investors are anticipating ultra-low interest rates may become even lower.

In the longer term, gold will continue to be a safe haven asset in times of economic turmoil. In addition, there are the bullish influences of the accommodative central bank interest rate policies, aggressive buying of gold by central banks and gold's newly found status of having a "positive yield" when compared to negative yielding assets in parts of the euro zone and in Japan.

The most important fundamentals will be the tailwinds that are capable of sustaining a long term bull market in gold futures.

Gold Futures - Weekly

Charts provided by QST

Support and Resistance

Grains

September 20 Corn

Support	3.10	Resistance	3.40

November 20 Soybeans

Support	8.20	Resistance	8.80

September 20 Chicago Wheat

Support	5.00	Resistance	5.50

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Livestock

August 20 Live Cattle

Support	93.25	Resistance	103.50

August 20 Lean Hogs

Support	46.37	Resistance	54.25

Stock Index

September 20 S&P 500

Support	3115.00	Resistance	3300.00

September 20 NASDAQ

Support	10355.00	Resistance	11300.00

Energy

September 20 Crude Oil

Support	39.20	Resistance	44.50

September 20 Natural Gas

Support	1.755	Resistance	1.950

Metals

August 20 Gold

Support	1786.0	Resistance	1836.0

September 20 Silver

Support	19.200	Resistance	20.450

September 20 Copper

Support	2.8250	Resistance	3.0500

Currencies

September 20 U.S. Dollar Index

Support	95.650	Resistance	97.000

September 20 Euro Currency

Support	1.13400	Resistance	1.14700

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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 **16 July 2020**. 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 China's economy returning to normal, with PMIs remaining in the expansion area and as trade data indicates economic growth. Other countries are also showing improvement in the economic situation, although to a lesser extent. Central banks in the region kept their policies mostly on hold while assessing the effectiveness of their previous stimulus measures on their economies.

China

As domestic economic activity basically returned to normal, the Caixin China PMI released on July 1 recorded 51.2, an increase of 0.5 percentage points from May, the highest since this year and for two consecutive months was in the expansion zone. This trend is consistent with the official manufacturing PMI, which recorded 50.9, up 0.3 percentage points from the previous month. As the COVID-19 prevention and control measures continue to be relaxed, the production of enterprises has basically recovered to a near normal level. Although the production index fell slightly from the previous month, it is still in the expansion area. Driven by improving domestic demand, the new orders index recorded its first growth since February. With the gradual restart of the overseas economy, the drag of exports has weakened, and the index of new export orders rose in the contraction zone in June. Although both supply and demand have improved, employment has not. Employment by manufacturing companies have contracted for six months in a row.

China's consumer inflation rate slightly picked up from last month's 2.4% to 2.5% in June, thanks to a rebound in pork prices, which jumped 3.6% from last month and 81.6% compared to last year due to tight supply. Floods in multiple provinces led to increases in vegetable prices, which also contributed to the rise of the CPI. On the industrial side, the PPI in June continued its downward trend by dropping 3.0% year-on-year. But on monthly basis, the PPI rose 0.4% in June versus -0.4% in May, which is attributed to the stimulus measures. China's infrastructure investment saw a double digit increase in past two months, which drove commodities prices higher. As economic activities further recover, the PPI is expected to improve in coming months.

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China's foreign trade sector beat expectations in June by posting positive growth in both exports and imports. Exports in dollar dominated terms rose 0.5% year-on-year, while imports increased 2.7% from last year, leaving China with a trade surplus of $46.42 billion. Exports of medical supplies made a significant contribution. In the first half of 2020, China's exports of textile products jumped 32.4% from last year.

Statistics from China's customs showed that China's monthly soybean imports in June hit a record high of 11.16 million tons, up by 19% from last month and 71% from last year. In the first six months of this year China imported 45.04 million tons of soybeans, 17.9% higher than last year. Since the Chinese government started accepting applications for tariff exemptions for U.S. soybeans on March 2, 2020, import costs have considerably declined. Lucrative crushing margins prompted crushing plants to place more purchase orders for soybeans.

Other Asian Countries

Japan's manufacturing PMI rose to 40.1 in June from 37.8 and also the service PMI was revised higher to 45.0 from 26.5, which is the highest level since February. The Bank of Japan indicated it is going to apply a negative interest rate of -0.1 percent and is planning to keep the long term policy interest rate at around zero percent. Moreover, the BoJ decided to purchase exchange traded funds (ETFs) and Japanese real estate investment trusts for economic stimulus. Japan's consumer price inflation remained unchanged at 0.1%.

South Korea's consumer price index increased to 104.87 in June from 104.71 in May. However, consumer prices remained unchanged on a year-on-year basis in June 2020 from a 0.3% decline in the previous month. In addition, exports from South Korea dropped 10.9 % from a year earlier to USD 39.2 billion in June 2020. This was the fourth straight month of a decline in exports. The Bank of Korea decided to lower its interest rate to a fresh record low of 0.5% on May 28 in order to support the economy.

The Reserve Bank of Australia kept its key interest rate unchanged at a record low of 0.25% in July. As the economic recovery remains uncertain, the Bank is preparing to purchase its bonds again in order to ensure bond markets remain functional. The unemployment rate in Australia jumped to 7.1% in May 2020, which is the highest since October 2001 due to the closures of business and lockdowns.

The Reserve Bank of New Zealand left its interest rates unchanged at a record low of 0.25% on June 24. The Bank is preparing to increase purchases of assets and is planning more monetary policy tools to support the economy. The unemployment rate in New Zealand rose to 4.2% from 4.0%.