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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 **August 18, 2021.** This report is intended to be informative and does not guarantee price direction.*

The USDA's August report was bullish for corn and wheat, but neutral for soybean prices. After the August USDA report, November soybean futures rallied to a high near 13.79 and are now trading in a range between 13.20 and 13.80. December corn rallied to 5.94, but is now trading in a range between 5.60 and 5.80. Chicago December wheat rallied to 7.86 before traders took profits and pushed prices down to 7.35. December soymeal is near 362 with resistance near 370. December soyoil has fallen from a high near 66 cents to 61.50 on concerns over demand for U.S. biofuel.

In August, the USDA estimated the U.S. 2020/21 corn carryout to be 1,117 mil bu. The USDA estimated the U.S. 2021/22 corn carryout to be near 1,242. Most analysts believe total demand will increase and could take 300 mil bu off the 2021/22 carryout. The USDA left China's corn imports at 26.0 mmt. The USDA lowered Brazil's corn crop estimate to 87.0 mmt from 93.0 last month. Some analysts estimate the crop now will be below 85 mmt. Most analysts feel corn futures could see increased price volatility going into the end of the 2020/21 market year. The last week of August could see rains across the upper U.S. Midwest. The first week in September could return to hot and dry conditions.

In August, the USDA increased the U.S. 2020/21 soybean carryout to 160 mil bu. The USDA lowered crush 15 and exports 10. Some feel the crush could drop another 20 mil bu. The USDA left Brazil's soybean crop at 137.0 mmt and lowered the Argentina crop to 46.0. The USDA lowered China's soybean imports to 97.0 mmt and also lowered China's 2021/22 imports to 101 mmt. Concerns about Canada's canola crop rallied world canola oil prices. Concerns about China's demand and lower Argentina prices continue to offer resistance to soymeal prices.

In August, the USDA lowered the U.S. 2021/22 wheat carryout to 627 mil bu vs 665 mil bu. The USDA estimates the U.S. 2021 wheat crop to be near 1,697 mil bu vs 1,746 last month and 1,826 last year. The USDA lowered the U.S. white wheat crop but left the spring wheat crop near 305 mil bu. This big surprise was the fact that the USDA WOB lowered the Russia wheat crop to 72.5

mmt and Canada to 24.0. Some feel the Russian crop could even be lower and there is talk Russia may restrict wheat exports.

Corn Futures - Weekly

Charts from QST

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

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Live Cattle

Futures trading was moderately active in July. August 2021 live cattle was the most actively traded contract but traded in a fairly tight range. On July 1 it settled at $123.57, which was also the highest close during July. It then drifted down to $119.22 on July 12 and then slowly worked back to settle on Friday, July 30 at $122.07 to be 50 cents lower for July. There was cattle producer hedging during July because of the premiums offered on futures on October 2021 live cattle through April 2022 live cattle. The average weekly close during July using August 2021 live cattle was $121.20. Using December 2021 live cattle for an example, December 2021 futures ranged during July from a low of $129.90 to a high of $134.57. The larger premiums offered hedgers prices above August from $8.00 to over $13.00. When cattle producers used April 2022 live cattle compared to August 2021 live cattle premiums were close to $18.00 to $19.00.

During July 2021 the average weight of fed steers was 1450 pounds. For December 2021 on the average weight steer, the premiums offered an additional $116.00/head to $188.50/head and for April 2022 from $260.00/head to $275.00/head. With August 2021 live cattle futures in July averaging $121.20, and cash cattle prices averaging $122.35 during the month, hedging was an obvious opportunity for cattle producers.

Live Cattle Futures - Weekly

Charts from QST

Lean Hogs

July 2021 was another month that continued the move higher for hog and pork prices. The lowest price settlement during July was on July 2 at $100.22 with the low day at $98.10 on August lean hogs. But when August lean hogs fell below $100.00, buyers stepped forward and August lean hogs settled at $106.20 and used the up move as a steppingstone higher into August. Comparing July 2021 trading to a year ago, the August 2021 lean hog contract during July 2020 made a low at $73.50 and the high for the month was $75.20. In a year lean hog prices moved up $31.00/cwt. Hogs in July averaged 278 pounds. An increase of $31.00/cwt added an additional $86.20/head to hogs from a year ago.

Hog prices in July were driven higher by a strong demand for pork. The pork carcass started out the month on the 5-day pork carcass average at $111.89/cwt and ended the month with the 5-day average at $124.23/cwt. Also, federal hog slaughter was down 1.3% by the end of the month.

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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, Dow and NASDAQ futures advanced to new record highs in August due to fiscal stimulus optimism, along with better than expected quarterly earnings results. In addition, the bulls were encouraged when Federal Reserve Chairman Jerome Powell said inflation will moderate and that the central bank plans to maintain its current ultra-low interest rate policies. Futures advanced despite ramped up speculation that the Federal Reserve could announce a tapering of its $120 billion a month in asset purchases before the end of the year.

There was pressure on futures recently due to the realization that global economic growth may be slowing, as several U.S. economic reports came in weaker than expected. For example, the July National Federation of Independent Business small business optimism index was 99.7 when 103.3 was expected. This index is compiled from a survey that is conducted every month by the National Federation of Independent Business of its members. In addition, retail sales in July fell 1.1% when down 0.2% was expected and retail sales excluding vehicles declined 0.4% when an increase of 0.2% was anticipated.

Overall, the fundamental and technical aspects remain supportive for stock index futures.

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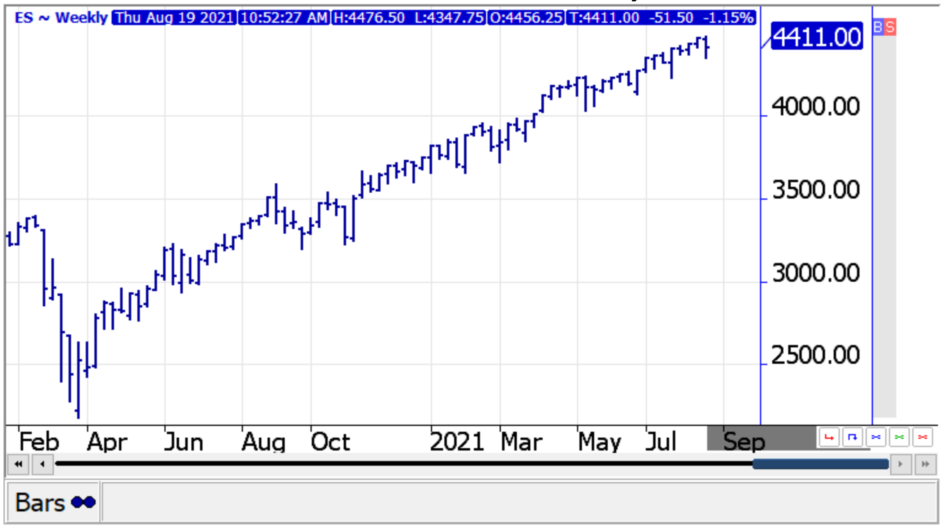
S&P 500 Futures - Weekly



Charts from QST

U.S. Dollar Index

Flight to quality buying is coming into the U.S. dollar in light of concerns about the state of the global economic recovery. The greenback has remained firm despite a series of weaker than predicted U.S. economic reports, including the August housing market index, which came in at 75 when 80 was predicted.

The consumer price index in July increased 0.5%, which is down from the 0.9% increase in June and the consumer price index excluding food and energy was up 0.3%, which is down from the 0.9% increase last month. The consumer price index was expected to be up 0.5% and the consumer price index excluding food and energy was anticipated to be up 0.4%.

The Federal Open Market Committee at its July meeting held policy steady, keeping its zero to 0.25% federal funds target range and maintaining its $120 billion monthly securities purchase plan. The Fed said in a statement that the economy has made progress toward its employment and inflation goals, and the central bank would continue to assess its stimulus programs in the coming months.

In the weeks ahead it is likely that the flight to quality influence that the greenback is currently enjoying will dominate over other market influences and push the U.S. dollar higher.

Euro Currency

The euro currency traded lower in August on the belief that the European Central Bank will remain dovish for some time, after policymakers promised last month to keep interest rates at record low levels for even longer in an effort to bring inflation back to its 2.0% target.

The central bank said in a statement that it won't increase its key interest rate, currently at minus 0.5%, until inflation moves much closer to its target of 2.0% and looks likely to remain at that level. The ECB also reiterated its pledge to buy euro zone debt under an emergency bond-buying program through at least March 2022. It appears that the ECB's new strategy could possibly be paving the way for more, but not less, asset purchases.

There was pressure on the euro on news that the ZEW Indicator of Economic Sentiment for Germany declined 22.9 points to 40.4 in August, which is the lowest level since November and below market expectations of 56.7. This was the third monthly decline in investor confidence.

The euro declined despite news that the seasonally adjusted number of unemployed people in Germany fell 91,000 to 2.598 million in July of 2021, which is the third consecutive month of falling unemployment and compared to market forecasts of a 28,000 drop. The jobless rate dropped to 5.7% from 5.9%, which is below forecasts of 5.8%

The IHS Markit euro zone construction PMI fell to 49.8 in July from 50.3 in the previous month. Home building activity growth declined to a three-month low, while work on commercial construction projects fell for a 17th month in a row.

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

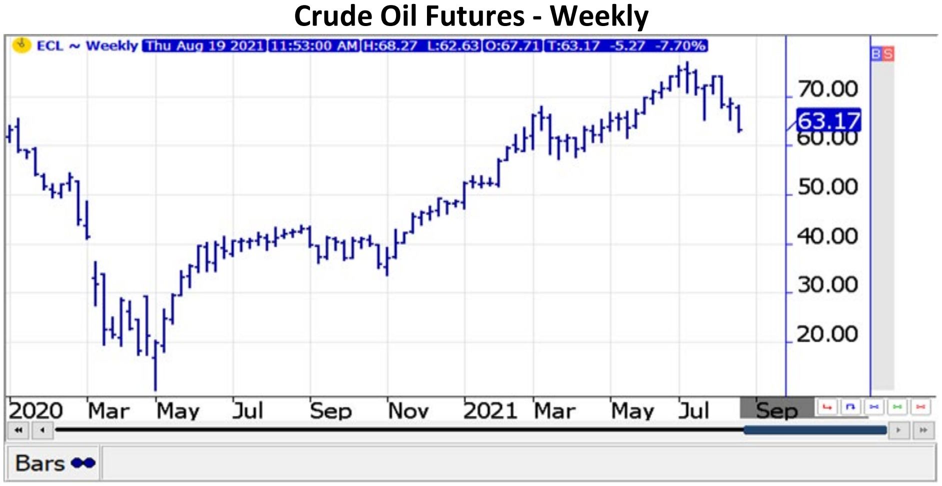
Crude Oil

Crude oil prices trended lower in August. Much of the selling pressure was linked to ideas that the global economic recovery is slowing leading to further weakening demand, along with rising geopolitical concerns. U.S. benchmark oil prices are now down more than 16% from a mid-July peak above $75.

The weekly EIA report offered a mixed bag. U.S. crude oil inventories fell by 3.2M barrels to a 19-month-low of 435.5M barrels, but U.S. oil production edged back up by 100k bpd week-on-week to match a 15-month-high of 11.4M bpd.

Major up trendlines have been broken suggesting futures will trend lower over the near term.

Crude Oil Futures - Weekly



Charts from QST

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Gold

Gold prices fell sharply in a flash-crash situation on Sunday August 8. Since then there has been a partial recovery. Some of the selling pressure is linked to ideas that the Federal Open Market Committee will announce a tapering of its asset-purchase program before the end of the year.

However, there is growing evidence that the rate of growth in the global economy is slowing. This, in turn, will likely put pressure of the FOMC to taper later rather than sooner, while other major central banks are likely to become slow to remove accommodation.

I anticipate central banks will be less hawkish in the months ahead, which will be supportive to the gold market.

Gold Futures - Weekly

Charts from QST

SUPPORT AND RESISTANCE

Grains

December 21 Corn

Support 5.20 Resistance 5.80

November 21 Soybeans

Support 12.75 Resistance 13.80

December 21 Chicago Wheat

Support 7.20 Resistance 7.60

Livestock

October 21 Live Cattle

Support 120.50 Resistance 131.75

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October 21 Lean Hogs

Support	80.50	Resistance	95.00

Stock Index

September 21 S&P 500

Support	4310.00	Resistance	4480.00

September 21 NASDAQ

Support	14640.00	Resistance	15173.00

Energy

October 21 Crude Oil

Support	57.40	Resistance	65.60

October 21 Natural Gas

Support	3.630	Resistance	3.880

Metals

December 21 Gold

Support	1760.0	Resistance	1823.0

September 21 Silver

Support	22.40	Resistance	24.50

December 21 Copper

Support	3.8500	Resistance	4.2400

Currencies

September 21 U.S. Dollar Index

Support	92.600	Resistance	94.400

September 21 Euro Currency

Support	1.16000	Resistance	1.17700

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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 **18 August 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 softening manufacturing activities and the interest rate decision by New Zealand. China, South Korea and Japan all saw lower expansion in manufacturing and the New Zealand central bank maintained interests rate at 0.25%.

China

The CAIXIN China manufacturing PMI fell 1.0 percentage point from last month to 50.3 in July, the lowest reading since May 2020. New export orders rose slightly as the COVID-19 pandemic continued to hinder sales overseas. The rate of output growth also softened for the third consecutive month, increasing at the slowest pace in 16 months. Employment stabilized and stayed above 50 in July, marking the fourth month in a row for expansion. Although to a certain extent the expansion momentum of the manufacturing sector has slowed, surveyed enterprises are generally optimistic about the growth prospects in the coming year. The official manufacturing PMI for July also dropped 0.5 percentage points from June to 50.4.

China's consumer price index rose 1.0% from a year earlier in July, as food prices declined. Pork prices fell 43.5% year-on-year, thanks to abundant supply. On a monthly basis, the CPI increased 0.3%. On the industrial side, the PPI jumped 9.0% compared to last year. Eight major industries, including ferrous metals mining, petroleum and natural gas exploration, coal mining and processing, in addition to chemical raw materials and manufacturing, drove up the PPI by 7.5 percentage points, more than 80% of the overall growth rate. Even though PPI growth remained at a relatively high level, it is commonly believed that it has peaked and is expected to further ease in coming months.

China's exports in dollar denominated terms rose 19.3% year-on-year in July, significantly lower than last month's 32.2%. Import growth also slowed down, increasing 28.1% from a year earlier, vs. an increase of 36.7% in June. New outbreaks of COVID-19 cases in eastern and southern provinces prompted local authorities to lock down affected communities, order millions to take tests and temporarily suspend business operations including factories. Besides shortages of semiconductors, higher raw materials and freight costs also weighed on China's foreign trade sector, which is expected to further drop in months to come.

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China’s soybean imports declined 14.1% from last year to 8.67 million tons, as soybean crushing margins turned negative and higher soybean prices prompted crushing plants to process stocks purchased earlier this year. At the beginning of this year, Chinese buyers ordered a large amount of South American soybeans, expecting increasing hog inventories to boost demand for soymeal. But as pork supply picked up, and prices went down, profits for pig farming fell. Despite a slight improvement lately, crushing margins still remained negative. Therefore, China’s soybean imports will remain slow for the rest of this year. A state-owned think tank forecasts imports of 7.6 million tons in August and 6.4 million tons in September.

Other Asian Countries

In July, Japan’s manufacturing activities expanded at the slowest pace in five months, highlighting how difficult it is for the world’s third largest economy to recover from the COVID-19 pandemic. Jibun Bank/IHS Markit Japan Manufacturing Purchasing Managers’ Index (PMI) fell to 52.2 in July from 52.4 in June. Due to the rise in the number of people infected with the new coronavirus and delays in the purchase of raw materials, the growth of output and new orders slowed to a six-month low. The Jibun Bank/IHS Markit survey also shows that the Japanese service industry continues to face a severe situation, with activities shrinking at the fastest rate in five months, and a decline for the 18th consecutive month. The service industry PMI fell to 46.4% in July from 48 in June. However, Japan’s central bank issued an optimistic statement in early August sticking to its plan to reduce the scale of bond purchases as it expects Japan’s economy to quickly rebound from the contraction caused by COVID-19 outbreak.

As overseas demand for chips and bio-health products continues to grow, South Korea’s exports rose for the ninth consecutive month in July. South Korea’s exports in July increased by 29.6% year-on-year. However, the growth rate was slower than June’s 39.8% and not as good as expected, mainly due to a shortage of semiconductor supplies and new outbreaks of COVID-19 cases. The HIS Markit’s survey showed that South Korea’s manufacturing PMI fell to 53.0 from last month’s 53.9, the lowest level in seven months. New orders stayed in expansion for its 10th straight month, but at a significantly lower rate. IHS's optimism on the production prospects of South Korea's manufacturing industry in the coming year has also fallen to its lowest level since December last year.

The minutes of the Reserve Bank of Australia’s policy meeting released on August 17th showed that in order to combat the COVID pandemic, it will continue to evaluate its bond purchase plan based on the economic situation and public health as parts of the country are under lockdown. House spending is estimated to drop by 15% during the period of lockdown. The Reserve Bank of Australia is considering postponing plans to reduce the size of weekly bond purchases previously scheduled for September to A$4.0 billion. According to current QE plan, the bank buys A$5.0 billion every week. The central bank predicts the Australian economy will resume strong growth in 2022.

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The global financial markets were almost 100% convinced that the Reserve Bank of New Zealand will increase its interests rate. But a new local COVID case might have altered the plan. On August 18th, the Reserve Bank of New Zealand unexpectedly announced that it will maintain the official cash rate at a record low of 0.25%, even though the economy rebounded strongly. The Monetary Policy Committee of the Federal Reserve Bank of New Zealand stated that the decision is made in the context of the government's implementation of level 4 pandemic prevention across the country. The committee will continue to evaluate inflation and employment prospects and reduce the level of monetary stimulus over time.

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

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