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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 **June 18, 2019.** This report is intended to be informative and does not guarantee price direction.*

In June, the USDA estimated world 2019/20 corn end stocks at 290 million tonnes. The decline was due to lower U.S. supply. The USDA lowered the total world corn exports estimate to be near 169.8 million tonnes with U.S. exports estimated to be near 54.6 million tonnes. The USDA lowered the U.S. 2019 corn crop to 845 million tonnes. The USDA dropped U.S. corn planted acres and yield due to the record wet spring delaying U.S. plantings and increased concerns that the crop may not have enough growing degree days to produce a trend yield crop. The next USDA report is acreage and grains stocks on June 28 and the next USDA supply and demand report is July 11. U.S. spring Midwest weather has continued to be wetter and colder than normal. This has slowed early field work. Late plantings have triggered managed fund short covering and a $1.16 rally in futures from contacts lows. Some analysts believe the market may be overbought currently, but could see the market eventually testing and trading above recent highs.

The USDA estimated world 2018/19 soybean end stocks near 113 million tonnes. Total world exports are estimated to be near 149.5 million tonnes and U.S. exports are estimated to be near 46.3 million tonnes. The USDA estimates China's 2018/19 soybean imports at 85.0 million tonnes versus 94.1 last year. The USDA estimated world 2019/20 soybean end stocks will be near 112 million tonnes. Total world exports are estimated to be near 151 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. Fears of a lower U.S. soybean supply due to a record late planting pace has helped trigger fund short covering in soybeans. The next USDA report is the acreage and quarterly stocks report on June 28. The next USDA supply and demand report is on July 11. Late U.S. plantings triggered managed fund short covering and a $1.33 rally in futures from recent contract lows. World fundamentals do not justify higher prices, but soybeans will follow the price action in corn.

The USDA estimated world 2019/20 wheat end stocks at a new record 294.0 million tonnes. The USDA estimated the world 2019/20 wheat crop at 780.8 mmt versus 731.6 last year. The U.S. 2019 wheat crop is estimated to be near 51.7 mmt versus 51.3 last year. Russia is estimated to be near 78.0 versus 71.7 last year. Some private estimates are as high as 81.5. The E.U. crop is estimated to be near 153.8 versus 137.2 last year. The USDA is rating the U.S. 2019 winter wheat crop 64% good to excellent versus 39% last year. The U.S. 2019 spring wheat crop is rated near 77% good/excellent versus 78% last year. Some rains are forecast for parts of Canada and Russia. This should help crops there.

Corn Futures - Weekly

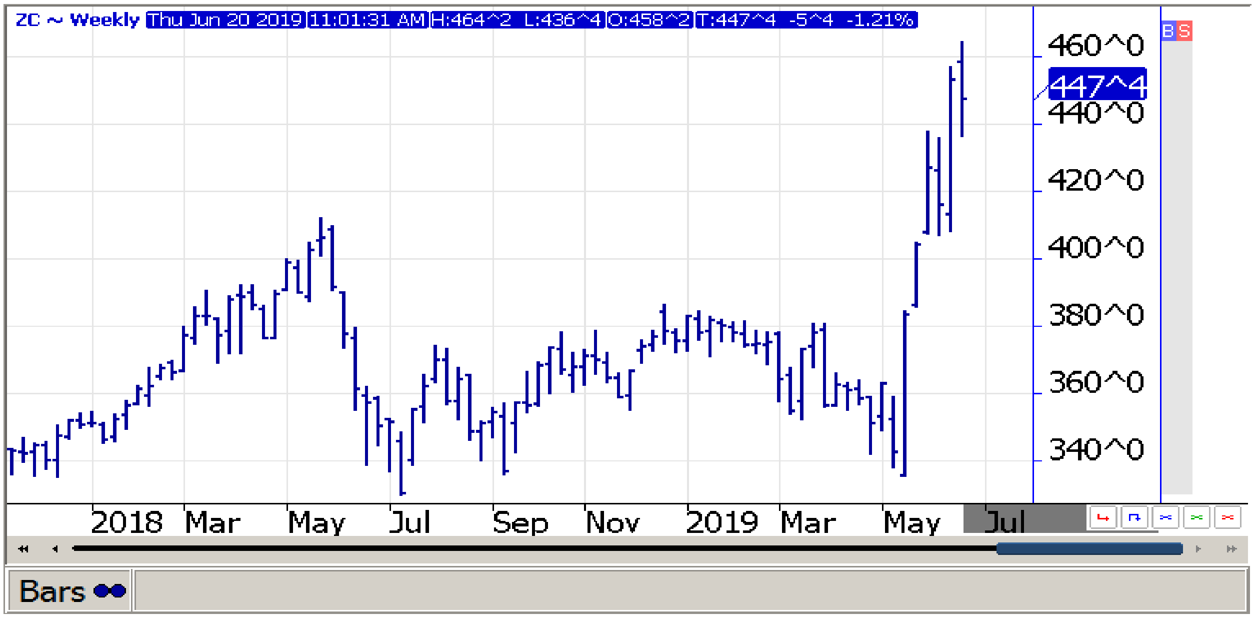


Chart provided by QST

Livestock Outlook by Chris Lehner,
Sr. Livestock Analyst, contracted by ADM Investor Services

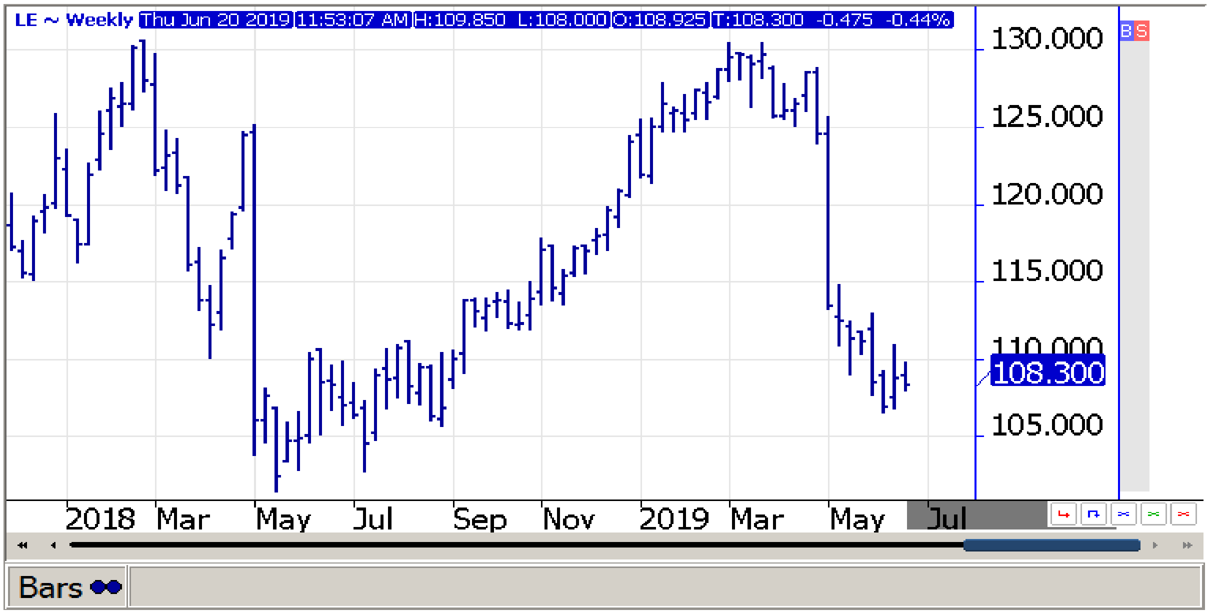
*The following report is an overview of the Livestock futures markets as of **June 19, 2019** and is intended to be informative and does not guarantee price direction.*

Live Cattle

After moving higher in March and in the first three weeks of April, the cattle market reversed in the latter part of April and the drop continued throughout May. From April 23rd and throughout May, June 2019 Live Cattle futures dropped from a high of $122.22/cwt to settle on May 31st at 108.47/cwt. The drop surprised cattle producers because the extremely cold and snowy winter was followed by a cold and wet April and May. Feedlot conditions became far too wet and cattle were eating for energy and survival, but they were not gaining weight across the majority of the Midwest. However, cattle in the South and Southwestern feedlots were not affected by extremes in weather, except for a few small areas and the cattle markets showed it. Cash cattle markets in the southern areas often were bought $2.00/cwt to $4.00/cwt under cattle in the Midwest. The futures market in May followed the lower priced cattle in the south.

Besides weather problems, and maybe the primary reason cash markets and futures fell, was the boxed beef market. Beef markets were exceptionally high priced into the last week of April. Choice primal cuts rib sections and loin sections were in high demand. Choice primal rib sections, the most expensive cut, in April topped around $399 /cwt and some analysts say high energy bills of the winter in the U.S. and record snow in the upper Midwest across to the East Coast slowed demand for the retail restaurant trade. At the same time beef exports were dropping. By May 1st Choice primal rib sections had dropped $12.00/cwt to $387/cwt and by May 31st they were down to $357/cwt. Demand for the highest quality beef fueled markets the first part of 2019 and the lack of demand for high priced cuts, took the wind out of the sails. With federal Live Cattle slaughter up 1% for the year, but cattle carcass weights down around 5 pounds in May, increasing supplies did not seem to be a problem, but the drop in cattle prices was due to slowing demand.

Live Cattle Futures - Weekly



Lean Hogs

On May 1st, July Lean Hogs settled at $95.37/cwt and throughout the month fell to settle on May 31st at $85.9/cwt. The steep decline in May was a continuation that began in mid-April when July hogs topped at $102.45. The ongoing trade dispute between the United States and China has been a big reason why the market dropped, but the drop in futures was primarily due to Lean Hog futures climbing faster and much higher than the actual hog and cash markets. Wide spreads from April hogs to summer hogs were another reason futures dropped in May. Normally the spread between April Lean hogs and June or July Lean Hogs is seasonally from $7.00/cwt to $10.00/cwt with summer lean hogs over spring hogs. The spread went out as far as $22.00/cwt, which was far too wide and when the correction came, summer hogs felt the impact of it.

The reality of Lean Hog futures in May was not due to poor cash hog markets. It was due to an overdone rally in the futures market compared to a mostly steady cash hog and pork market. The cash hog market was expecting a large mega purchase of pork from China similar to the two big buys in March that didn’t occur in May. However, China bought pork in May and likely will continue to buy larger amounts of pork going forward.

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Lean Hog Futures - Weekly

Charts provided 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 **June 20, 2019** and is intended to be informative and does not guarantee price direction.*

Stock Index Futures

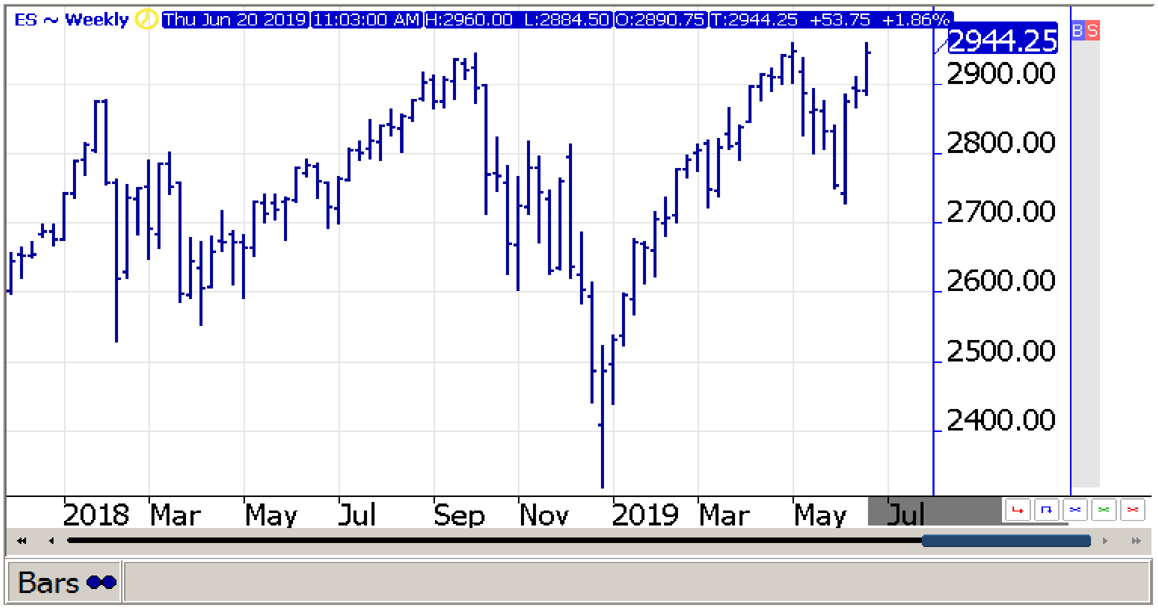
U.S. stock index futures came under pressure in May as traders focused on the lessened probabilities of a U.S.-China trade deal. However, there were substantial gains in June as traders shifted their focus of attention to the Federal Reserve and the growing prospects of lower interest rates this year even though trade tensions between the U.S. and China continue. In addition, there was support for futures when President Donald Trump announced the U.S. and Mexico reached a deal and proposed tariffs on Mexican imports would be suspended indefinitely.

Stock index futures pared gains when the May ADP jobs report showed private employers added 27,000 jobs in May, falling far short of economists' expectations. Economists had forecast the ADP National Employment Report would show a gain of 180,000 jobs. In addition, the May employment report showed declining growth in the labor market. Nonfarm payrolls increased only 75,000, which was well below the median estimate of a gain of 180,000.

The most recent advance to near record highs took place after the Federal Open Market Committee at its June 20 policy meeting indicated it is ready to lower interest rates as soon as next month to offset the growing risks to global and U.S. economic growth.

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

The U.S. dollar topped on May 23rd, as it became more apparent that the Federal Open Market Committee would likely be lowering its fed funds rate later this year, especially when Federal Reserve Chairman Jerome Powell suggested the central bank would reduce borrowing costs if financial conditions showed indications of weakening due to tariff tensions.

In addition, the greenback fell on news that the June Empire State manufacturing index posted its largest ever decline into negative territory. The index plummeted 26.4 points to negative 8.6 in June, according to the New York Federal Reserve. Economists had expected a reading of positive 10. The most recent pressure on the greenback took place when the Fed indicated a more accommodative policy stance in coming.

In the longer term view, interest rate differential expectations are slightly bearish for the U.S. dollar, since other G-7 central banks may be less aggressive in easing monetary policies.

Euro Currency

The euro currency made a bottom in late May when it became more apparent that the European Central Bank will not more accommodative this year than other major central banks, particularly the Federal Reserve. This view was bolstered by several economic reports that showed a stabilizing euro zone economy. For example, euro zone wage growth accelerated in the first three months of 2019. Pay per hour worked was up 2.5% from the first quarter of 2018. This was an improvement from the 2.3% increase in the final three months of last year and was the fastest gain since records began at the beginning of 2010.

In addition, there was support for the euro on news that euro zone M3 money supply increased 4.7% in April on the year, which compared to the forecast 4.4% growth.

The euro currency traded higher after the European Central Bank left interest rates unchanged and offered no hint of a future cut. There was speculation that the ECB could match the dovishness of the U.S. Federal Reserve.

In a statement, the ECB said the interest rate on the main refinancing operations and the rates on the marginal lending facility and deposit facility will remain at 0.00%, 0.25% and minus 0.40%, respectively.

In the longer term view, interest rate differential expectations are slightly bullish for the euro currency, since the U.S. Federal Reserve may be more aggressive in easing monetary policies than the European Central Bank.

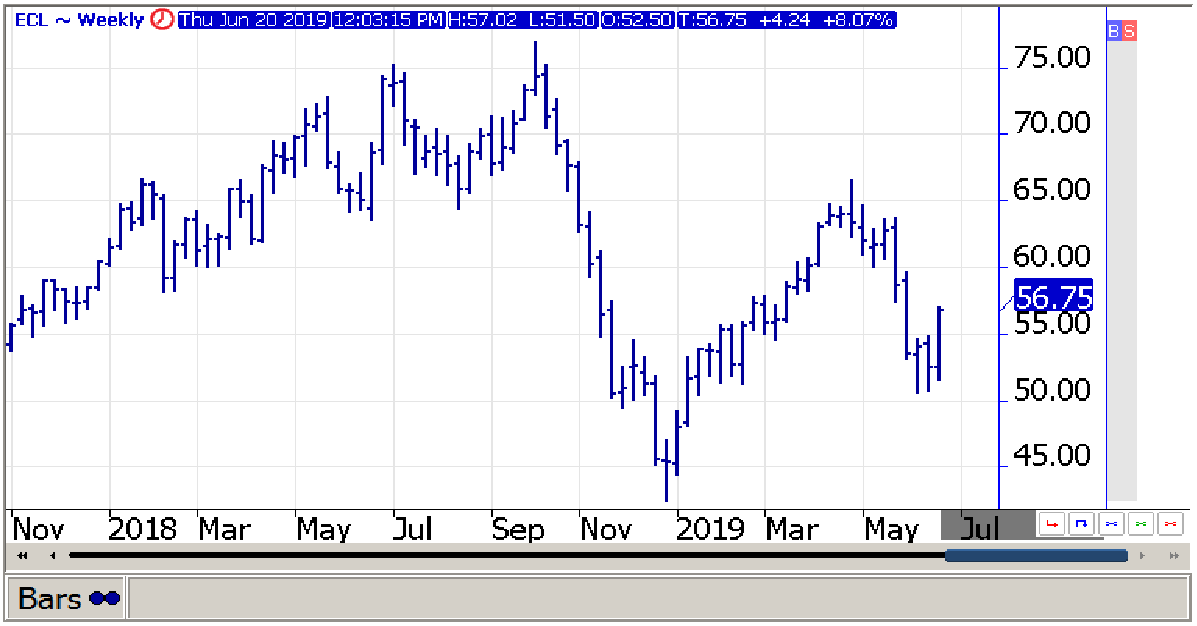
Crude Oil

Prices declined in May and earlier this month due to the deteriorating global economic conditions and a weakening demand for energy products. The International Energy Agency, the Energy Information Administration and the Organization for Petroleum Exporting Countries all recently said weakening global economic growth will likely limit crude oil demand in the coming months.

However, crude oil prices advanced sharply after attacks on two tankers in the Gulf of Oman and after Iran shot down a U.S. military drone along the Strait of Hormuz.

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 advanced to over five year highs after The Federal Open Market Committee indicated it is ready to lower interest rates as soon as next month to offset the growing risks to global and U.S. economic growth.

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.

In addition to the bullish interest rate influence there is the flight to quality influence in light of the apparent lack of progress in the U.S.-China trade negotiations.

Expect higher prices for gold futures.

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Gold Futures - Weekly

Charts provided by QST

Support and Resistance

Grains

September 19 Corn

Support 4.20 Resistance 4.70

September 19 Soybeans

Support 8.80 Resistance 9.60

September 19 Chicago Wheat

Support 5.00 Resistance 5.60

Livestock

August 19 Live Cattle

Support 102.30 Resistance 116.375

August 19 Lean Hogs

Support 78.00 Resistance 88.50

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Stock Index

September 19 S&P 500

Support	2900.00	Resistance	2995.00

September 19 NASDAQ

Support	7510.00	Resistance	7905.00

Energy

August 19 Crude Oil

Support	54.65	Resistance	61.20

August 19 Natural Gas

Support	2.080	Resistance	2.340

Precious Metals

August 19 Gold

Support	1365.0	Resistance	1425.0

September 19 Silver

Support	15.050	Resistance	15.900

Industrial Metals

September 19 Copper

Support	2.6500	Resistance	2.7700

Currencies

September 19 US Dollar Index

Support	95.100	Resistance	96.700

September 19 Euro Currency

Support	1.12850	Resistance	1.14800

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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 ***18th June 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 that Chinese data has been fairly resilient, although there are increasing concerns about a slowdown after the escalation of the trade war, with the CPI surging due to increasing food prices. The PMIs of Korea and Japan dropped back to contraction zone, while the RBA cut rates, as expected.

CHINA

- In May, the CAIXIN China manufacturing PMI, which mainly covers small and middle sized enterprises, stayed unchanged from last month's 50.2 and has been in expansion for three consecutive months, showing impressive resilience amid "trade war." The output index stabilized in expansion area after experiencing slight growth in April, while new export orders considerably climbed to year highs thanks to improved overseas demand. As a result, new orders also picked up at a higher pace than last month. The accelerated new orders resulted in an increase in backlog of workload. However, as manufacturers remained cautious, manufacturing employment continued to be in the contraction zone in May, and the employment scale declined slightly. The official manufacturing PMI, which covers large SOEs, fell to 49.4 from last month's 50.1.
- In May, thanks to surging food prices, especially fruits and pork prices, which respectively increased 26.7% and 18.2% year-on-year, China's consumer inflation rate jumped to a 15-month high of 2.7%. In June, fruit prices seem to stabilize, but pork prices remain strong. On the industrial side, the PPI slightly increased 0.6% year-on-year. On a monthly basis, it was up 0.2%. Since the domestic investment, including manufacturing and real estate, is losing momentum and there hasn't been any sign of easing in the trade situation, price pressures are likely to remain on commodities such as crude oil and metals. China's exports in dollar dominated terms unexpectedly increased 1.1% year-on-year in May, while imports dropped 8.5% from last year, leaving the country a trade surplus of $41.65 billion, which is a five month high. Some attributed the unexpected growth in exports to "rush shipment," because the Trump administration is threatening to impose tariffs on

another $300 billion worth of goods from China. The worst performance in imports since August 2016 suggests that China's domestic demand remains sluggish. As the "trade war" drags on, China's trade situation, especially with the U.S., is expected to worsen. In the first four months, China's soybean and pork imports from the U.S. plunged 70.6% and 53.6% respectively.

- Rampaging African swine fever is continuing to impact China's feed industry and crushing plants. Weak demand for soymeal resulted in a slowing of imports of soybean. In May, China's soybean imports declined 24% compared to last year to 7.36 million tons, the lowest level for May since 2015. In the first five months, China's soybean imports fell 12.2% year-on-year to 31.75 million tons. To reduce dependence on U.S. soybeans, China has resorted to multiple alternatives such as increasing domestic planting acres and imports from South America and even from Russia.

OTHER ASIAN COUNTRIES

- Japan's manufacturing PMI dropped back into the contraction zone in May again. The final index was 49.8, slightly higher than the flash estimate, but below 50.2 in the previous month. Due to the lower demand from China, exports dropped 7.8% year-on-year in May, worse than forecast and slid for sixth month. Traders will focus their attention on the G-20 summit where trade negotiations between the U.S. and China will be closely watched. A break in the Japanese yen below 108 could be a good indicator of risk aversion.
- Korea's manufacturing PMI deteriorated substantially to 48.4 in May and fell back to contraction zone. With Q1 GDP already contracting at 0.3% quarter-to-quarter, the recession risk is escalating and pressure on BOK to cut rates is also growing. The BOK kept its key lending rate unchanged at 1.75% in May, but a split vote showed the central bank is shifting to a dovish stance.
- The RBA, as expected, cut rates at the June meeting, and the minutes show more rate reductions are possible. Retail sales missed forecasts in conjunction with the slowdown of the housing market and the poor wages growth. After the rate cut in May, an RBNZ official signaled rates will be kept unchanged in "foreseeable future."