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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 20, 2020.** This report is intended to be informative and does not guarantee price direction.*

Corn futures rallied from recent lows near 3.07 to 3.32. Drier than normal U.S. Midwest weather and an unprecedented almost hurricane like straight line winds flattening the record Iowa 2020 corn crop offered support. The USDA estimated the U.S. 2020 corn crop will be near 15,278 million bushels. This was above the average trade guess. The USDA estimated the U.S. 2020/21 corn carryout to be 2,756 million bushels. This was also above trade estimates. Managed funds reduced their net short positions due to weather uncertainty. Funds are now adding to their net short positions as U.S. harvest nears. U.S. farmers were also good sellers of old crop inventory on the recent rally. The USDA raised its estimate of the world 2020/21 corn carryout to 317.4 mmt.

The USDA estimated the U.S. 2020 soybean crop to be near a record 4,425 million bushels and raised the U.S. 2020/21 soybean carryout to 610 million bushels. This was bearish, but prices rallied on continued China buying of U.S. soybeans. Managed funds increased their net long soybean and soy oil positions and lowered their net shorts in soymeal. U.S. farmers have been rewarded by the recent rally in prices with increased cash sales. The U.S., South America and China soybean crush margins have improved. China is reporting increases in hog and chicken numbers. This could increase their feed demand. U.S. crop conditions still favor an above average crop.

The USDA increased its estimate of China's 2020/21 soybean imports to be near 99.0 mmt versus 98.0 this year and 82.5 last year.

In August, the USDA dropped the world 2020/21 wheat crop to be near to 766 mmt. Most of the drop was in Europe. The USDA increased the world 2020/21 wheat carryout to be near 316.0 mmt versus 300.9 last year. The USDA estimated the U.S. 2020 wheat crop to be near 1,838. Managed funds are small net short wheat futures. French wheat futures rallied on talk of Russian buying. Black Sea wheat prices have dropped on talk of a higher Russian crop.

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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 ***Aug 24, 2020*** *and is intended to be informative and does not guarantee price direction.*

Live Cattle

Live cattle futures prices showed improvement in July. Although it was not a bull market, the slow shift to higher prices indicated cattle buyers finally needed to buy showlist cattle. This was in addition to the big supply of their own cattle and previously contracted cattle that had backed up when packers slowed in the previous few months.

On June 31, August 2020 live cattle settled at $96.27/cwt. By the middle of the month August live cattle were at $103.27/cwt and they settled at $102.85/cwt or about $100.00/head/steer more for the month. Daily slaughter levels increased during July as packers and processors adjusted to working within the confines of social distancing. Packers and processers slowed the number of cattle Monday through Friday and increased the number slaughtered on Saturday.

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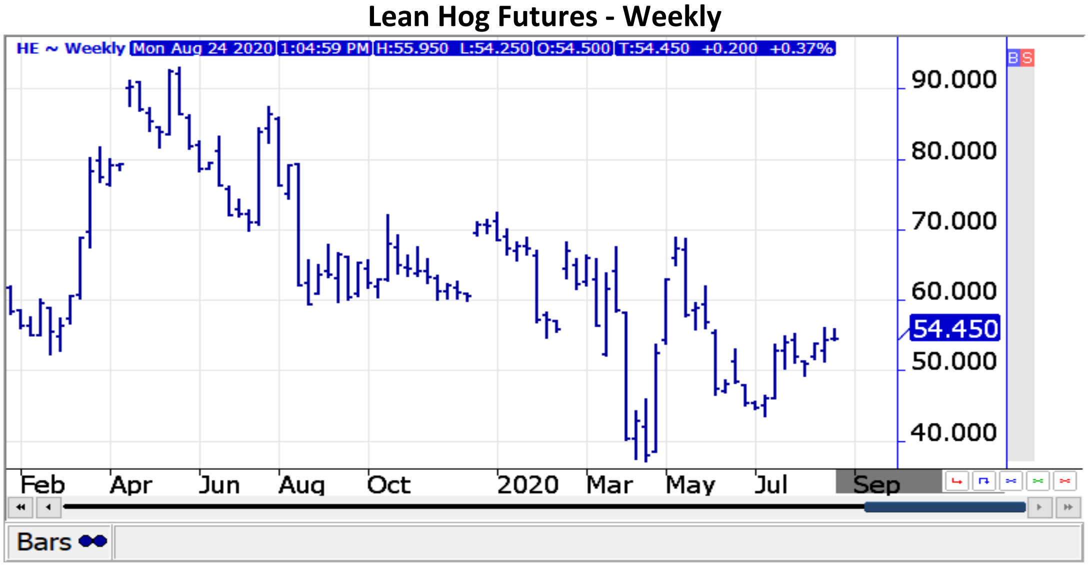
Live Cattle Futures - Weekly

Lean Hogs

July 2020 lean hogs began the month making a new contract low on July 8 at $47.95/cwt, bouncing to $54.55/cwt on July 27 and settling at $52.00/cwt on July 31. By July, the year to date hog slaughter was 1.0% above the same period a year ago as packers pushed chain speeds during the week and used Saturdays to add more hogs. The lean hog market was off its lows by month end, but traders were disappointed when it became obvious the record pork purchases from China in the first quarter of 2020 were not continuing.

Lean Hog Futures - Weekly



Charts provided by QST

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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

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, S&P 500 and NASDAQ futures were able to advance to record highs.

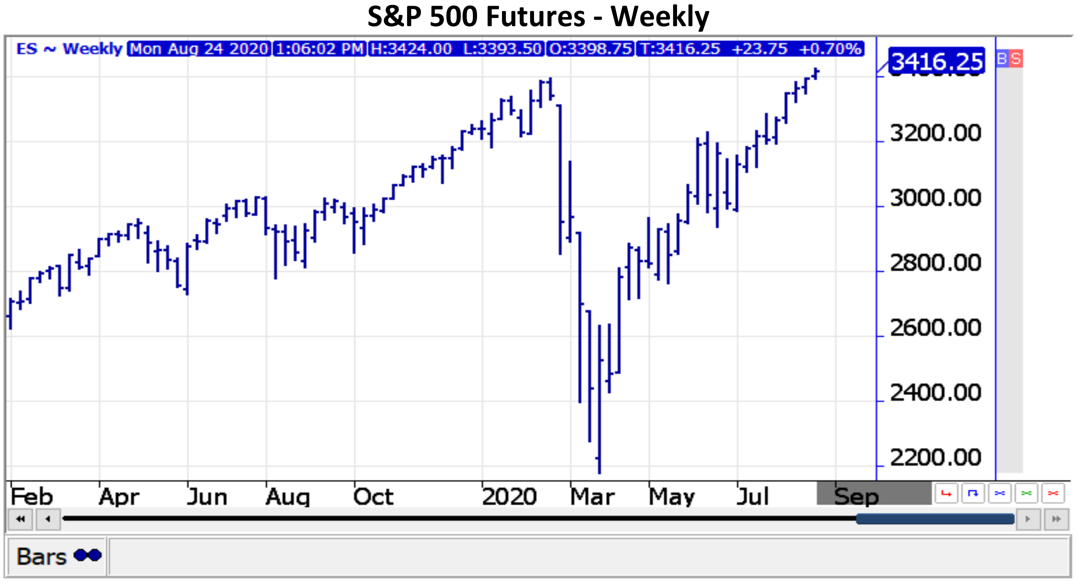
Economic news has come in mostly stronger than expected. For example, there were 1.495 million building permits issued in July when 1.300 million were expected and there were 1.496 million starts, which compared to the anticipated 1.240 million. Not all of the reports were better than anticipated. The August Empire State manufacturing index was 3.7 when 17 was predicted.

Stock index futures have been able to “climb the wall of worry,” as the stalemate in Washington over a fresh round of economic stimulus and the ongoing tensions between the U.S. and China continue.

Much of the recent gains are linked to a variety of ongoing and anticipated new fiscal stimulus efforts. Also, it is anticipated that the Federal Reserve will remain accommodative for an extended period.

The technical picture remains constructive for stock index futures.

S&P 500 Futures - Weekly



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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. More recently the greenback fell to a two-year low and took out the double bottom at the 92.475 - 92.510 area. There was recovery for the greenback when the release of the minutes of the July Federal Open Market Committee meeting were less dovish than expected.

Some of the bears on the U.S. dollar are speculating that the Federal Reserve may loosen its approach to inflation, which could happen at its next policy meeting in September. Or guidance could come much sooner when later this week the Kansas City Federal Reserve will hold its 44th Annual Economic Policy Symposium. “Navigating the Decade Ahead: Implications for Monetary Policy" is the theme. Thursday is the first day of the two-day virtual event that will include international central bankers, Federal Reserve officials, academics and private sector economists participating via an online, live-streamed format. Federal Reserve Chairman Jerome Powell is anticipated to outline the central bank's inflation strategy.

The U.S. dollar index is likely to trend lower longer term.

Euro Currency

The euro currency began its climb 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 currency advanced on news that German industrial production increased sharply in June, recovering for the second consecutive month. Total industrial output rose 8.9% in June from May when economists had forecast a 7.8% increase. In addition, German exports rose 14.9% in June when economists had forecast a 14.4% increase in exports.

Consumer price inflation ticked up in the euro zone in July. The European Union's statistics agency Eurostat said the first estimate of consumer prices was 0.4% higher in July compared with same month a year ago and is up from the 0.3% increase that was registered in June.

The currency of the euro zone appreciated in price despite news that the euro zone economy contracted at the fastest pace ever recorded during the second quarter. Across the 19 countries that use the euro as their currency, the gross domestic product fell 12.1% in the second quarter. Economists had expected a 11.3% contraction.

Interest rate differential expectations remain supportive to the euro currency.

The euro currency is likely to trend higher longer term.

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Crude Oil

U.S. crude oil futures are closing in on a fresh five-month-high as a pair of tropical storms force oil companies to reduce over half of all offshore production in the Gulf of Mexico, resulting in tightening supplies. The government's Bureau of Safety and Environmental Enforcement said oil production in the gulf was reduced by 58%, or approximately 1.1M barrels on Sunday.

In addition, futures have been underpinned by hopes for an economic rebound and a recovery in demand. However, gains have been limited by worries that OPEC's decision to start ramping up output will keep the market well-supplied.

The technical aspects suggest the uptrend for crude oil prices will continue.

Crude Oil Futures - Weekly

Gold

Since the lows were made on March 16, December gold futures advanced $630.40 to a record high 2089.20 on August 7, as investors are anticipating ultra-low interest rates globally may become even lower. There has been some profit taking more recently, as the U.S. dollar index was able to bounce off a two-year low.

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 global 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.

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Gold Futures - Weekly

Charts provided by QST

Support and Resistance

Grains

September 20 Corn

Support	3.10	Resistance	3.40

November 20 Soybeans

Support	8.60	Resistance	9.15

December 20 Chicago Wheat

Support	5.00	Resistance	5.50

Livestock

October 20 Live Cattle

Support	105.50	Resistance	112.50

October 20 Lean Hogs

Support	51.25	Resistance	60.00

Stock Index

September 20 S&P 500

Support	3320.00	Resistance	3490.00

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September 20 NASDAQ

Support 11000.00 Resistance 12100.00

Energy

October 20 Crude Oil

Support 39.50 Resistance 46.50

October 20 Natural Gas

Support 2.300 Resistance 2.660

Metals

December 20 Gold

Support 1903.0 Resistance 2060.00

December 20 Silver

Support 25.780 Resistance 29.440

December 20 Copper

Support 2.8250 Resistance 3.0500

Currencies

September 20 U.S. Dollar Index

Support 92.00 Resistance 93.600

September 20 Euro Currency

Support 1.17500 Resistance 1.19600

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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 **20 Aug 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 more news confirming the Chinese economy is improving, including a stronger PMI and exports. The CPI jumped since pork prices skyrocketed. Japan's PMI improved but still is in the contraction area. New Zealand expanded its bond buying scale.

China

China's manufacturing sector continued to recover. In July, the CAIXIN China manufacturing PMI came in at 52.8, an increase of 1.6 percentage points from June and the highest reading since February 2011. Output has been expanding for five consecutive months. Both the new orders index and the production index recorded the highest level since February 2011, as well. Many surveyed companies said that market conditions have gradually recovered from the pandemic and customer demand has increased. New export orders remained in contraction, because of subdued demand. In spite of improved orders, which led to a slight increase in the backlog of surveyed enterprises, manufacturers are still cautious about increasing employment. The employment index contracted for its seventh month in a row in July.

China's official manufacturing PMI in July also picked up to 51.1 from last month's 50.9 thanks to the significant increase in pork prices, which jumped 85.7% year-on-year. China's consumer price index rose 2.7% from last year, 0.2 percentage point higher than last month. As restaurants resumed operation nationwide, pork demand kept climbing, plus the flood in multiple provinces made transportation difficult. Pork prices rose 10.3% on a monthly basis and was the main driving factor for the CPI. Worth attention is the core CPI, which excludes food and energy consumption, posting the lowest reading of a 0.5% increase year-on-year since the financial crisis in 2008. Meanwhile, the PPI declined 2.4% from a year earlier versus a decrease of 3.0% in June. On a monthly basis, the PPI continued to advance climbing 0.4%, thanks to escalating commodity prices such as crude oil.

In July, China's exports in dollar-dominated terms beat expectations by increasing 7.2% from last year, while imports declined 1.4% year-on-year, leaving the economy a trade surplus of $62.33 billion, up by over 33% from last month's $46.42 billion. The robust export data was attributed to a strong demand for masks, medical supplies and remote office equipment. As the pandemic in other countries eases and the economy recovers, demand for these products is expected to drop. In addition, as the SINO-U.S. tensions remain, China's foreign trade situation faces more uncertainties in coming months. Thanks to record high output of Brazil soybeans plus a depreciated Brazil currency, which made soybeans cheaper and crush margin more appealing, China imported soybeans actively. In July, soybean imports increased 18% from a year earlier to 10.09 million tons, but lower than June's record of 11.16 million tons. In the first seven months of 2020, soybean imports surged 17.7% year-on-year to 55.14 million tons. Soybean and soymeal inventories in China have risen significantly after hitting record lows earlier this year, but are not expected to be a problem, as demand from the livestock sector is strong. Soybean shipments are expected to remain large in coming months due to good crush margins and strong demand from the livestock industry.

Other Asian Countries

Japan's manufacturing PMI in July rose to 45.2 from 40.1, while the services PMI in July rose to 45.4 from 45.0. Although both PMI indexes rallied, both PMIs were still in the contraction zone. The Bank of Japan maintained its negative interest rate at minus 0.1%, as Japan recorded its biggest economic drop in the second quarter. Even worse, the third straight quarter of declines knocked the size of real gross domestic product to decade-low levels, offsetting the benefits of stimulus policies deployed since 2012. The Bank of Japan tried to inject more funding to companies by offering banks hundreds of millions of dollars in bonuses to counter the possible coming economic depression due to smaller domestic consumption and exports.

South Korea's consumer price inflation rose to 0.3% in July 2020 from 0.0% in the previous month when the expectation was for an increase of 0.4%. Exports from South Korea were unchanged, which outperformed the expectation of down 9.7%. The Bank of Korea decided to keep its key interest rate unchanged and was convinced that economic activities would gradually improve. Furthermore, the OECD signaled that it would be revising its 2020 real gross domestic product forecast for South Korea from -1.2% to -0.8%.

The Reserve Bank of Australia decided to keep its key interest rate unchanged at 0.25%. Australia's central bank believed that there was no need to further ease policy as its stimulus package was working "broadly as expected." The Australian manufacturing PMI rose to 53.5 in July from 51.5, maintaining its expansion for a second month.

The Reserve Bank of New Zealand left its key interest rate unchanged at a record low of 0.25%. However, the RBNZ agreed to significantly expand the Large Scale Asset Purchase from a potential 60 billion to 100 billion in order to further lower retail interest rates.