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

We doubt that anyone will ever forget 2020. In 2019 nearby soybean prices ranged from 8.00 to 9.50. In 2020 nearby soybean prices have ranged from an 8.00 low to a recent high above 12.00. Concerns about the COVID-19 related impact on food, feed and fuel demand plus increased tensions between the U.S. and China forced prices lower. Dry U.S., Europe and Black Sea weather patterns moved prices sharply higher. Concern that La Nina weather could impact 2021 South American weather and record China buying U.S. soybeans has also supported prices. In November, managed funds were record long soybeans. Index funds were also record long soybeans. Commercials were record short soybeans. Recent rains across parts of Brazil and Argentina have triggered fund long liquidation. The next 30-60 days South American weather, China buying U.S. soybeans, talk of lower U.S. 2020/21 soybean supplies and a vaccine that could eventually increase commodity demand could push soybean prices higher early in 2021.

Nearby corn futures had a similar price range. In 2019 the price range was 3.40-4.50. So far in 2020, nearby corn prices have ranged from 3.00-4.20. The low was made on concerns about COVID-19 related reduced demand and a good start to the 2020 crop season. Like soybeans, corn prices started to rally due to dry U.S. August weather. Talk of an increase in China buying U.S. corn also supported prices. Some analysts are estimating higher U.S. final corn exports and a lower carryout than the USDA November estimate could force corn prices higher in early 2021. Some analysts look for record U.S. January-May corn exports. This could also support prices. The next 30-60 day South American weather, China buying U.S. corn and corn products, talk of lower U.S. 2020/21 corn supplies and a vaccine that could eventually increase commodity demand could push corn prices higher early in 2021.

Wheat futures have had a crazy ride in 2020. Increased cases of the global virus raised concerns about demand for food. At times this has been offset by concern about Black Sea and U.S. 2021 winter wheat crop conditions. Talk of larger Canada and Australia crops and increased exports from Europe, Russia and India has erased most of the summer gains. In 2019, nearby Chicago wheat futures ranged from 4.15 to 5.65. In 2020 wheat futures ranged from a low near 4.65 to a high near 6.38. Prices have now pulled back to near 5.60. Some analysts feel lower U.S. and Russia 2021 crops and higher soybean and corn prices could push 2021 wheat futures higher.

Some analysts believe tightening U.S. corn and soybean balance sheets and a successful virus vaccine could increase demand for food and fuel late in 2021. The U.S. dollar could also continue to trend lower on talk of higher 2021 U.S. debt. All of this could help grain and soybean prices to trend higher in 2021.

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 **December 17, 2020** and is intended to be informative and does not guarantee price direction.*

Growth in Global Meat Competition in 2021 and Beyond

From 2009 to 2010, Chinese pork exports increased by 52.6% from 266,000 metric tonnes to 406,000 metric tonnes. In 2011 China imported 710,000 metric tonnes of pork, a 74.88% increase. Over the next three years imports averaged 710,000 metric tonnes. There was a jump of 32.64% in 2015, followed by a 111.62% increase in 2016 to 2,010,000 metric tonnes. Exports fell off in 2017 and 2018, down 28.6 6% because of the expansion in their refrigerated meat reserve program. In 2018 imports were 1,457,000 metric tonnes. Although there was a drop in

2018, the increase in 10 years from 266,00 metric tonnes to 1,457,000 metric tonnes was a giant leap.

With Chinese pork and poultry imports down into 2018, a severe outbreak of African Swine Fever befell China in late spring and early summer 2018. It is estimated that 50% to over 60% of the breeding and market hogs were lost due to African Swine Fever. Almost overnight the largest global consumers of pork, China, needed to import pork. For the world pork industry, African Swine Fever was a windfall. In 2019, Chinese pork imports jumped by 68.22% and for 2020 the USDA estimates global pork exports grew another 57.8% to 3,850,000 metric tonnes. As Chinese and world pork needs soared in 2018-2020, global hog production expanded. Investments from China, internal and external pushed expansion. Global pork and hog processors used Chinese pork demand to grow. In 2019 the U.S. herd growth was 5.60%. The E.U. has remained steady in pork growth for close to a decade but has signed new trade agreements with China and increased pork exports to China during the U.S. tariff disputes.

Brazil is rapidly expanding its hog industry. Brazil's hog production increased 3.16% in 2019 and in 2020 by 4.74% mostly because of Chinese demand and Brazil actively pursuing world pork buyers. Ukraine is expanding pork production. Also, production in Mexico is up. The Russian pork industry because of past sanctions to buy U.S. pork, it's internal needs, growth in the feed grains and with new trade agreements, specifically with China, has more than doubled its hog herd over the past 10 years.

African Swine Fever devastated the Chinese hog industry beginning in mid-summer 2018. Global pork exports have exponentially increased into 2020. Chinese demand for pork will remain strong in 2021 and into the foreseeable future. However, the expansion in hog production appears to be too fast and too much.

Before African Swine Fever decimated the Chinese hog industry, Chinese investors, along with corporate and conglomerate hog producers were in building phases. By early 2018 the building of large scale growing facilities including "Hog Hotels," were occurring. Within months of African Swine Fever reducing Chinese hog production, the Chinese government issued procedures for regional governments to assist with loans and to accelerate building permits. The plan was to have at least 50% of pork needs met for delegated provinces to alleviate the time it used to take to ship hogs to slaughter and logistics of moving meat miles from where it was sourced. To speed production China increased funding for expansion in surrounding countries. By the end of 2020 China is expected to have at least 90% of production back to pre-African Swine Fever levels with rapid increases into 2021 through 2025. The goal is to be self-sufficient in meat supplies. Chinese pork purchases in 2020 have been indicating a downward need for pork exports while the U.S. and other countries increased production. Global hog inventories will go beyond global needs for pork.

The 2021 outlook for pork production points to overproduction. Global hog production grew to meet Chinese and global pork demand at a time China was in a super hog expansion phase. Global hog producers wishing they could fill immediate needs of China overreacted.

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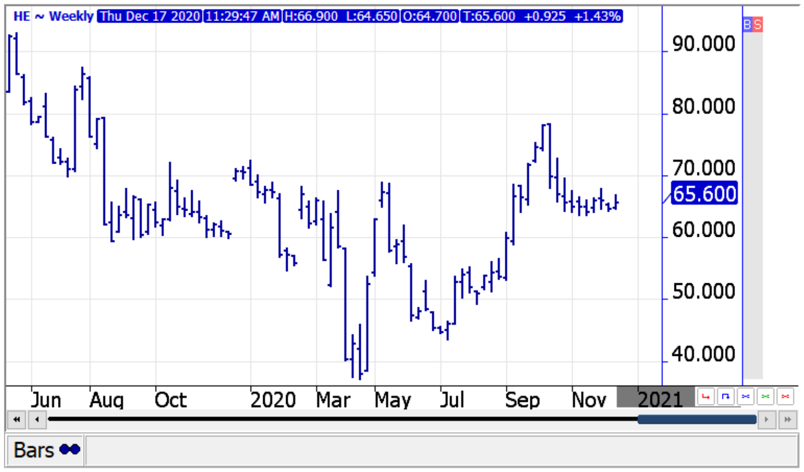
Lean Hog Futures - Weekly

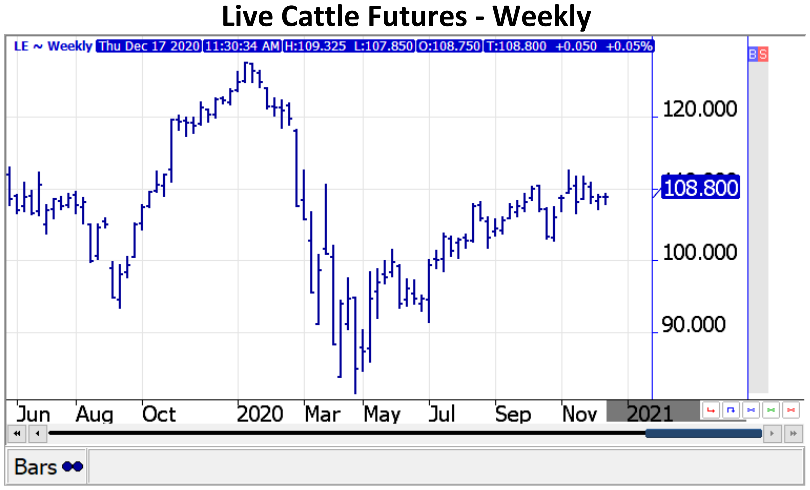


U.S cattle feedlots will see fewer cattle in 2021. The Coronavirus during April and May 2020 drove cash cattle prices far below profit margins for cattle producers and because of low prices and uncertainty when prices would correct, cattle breeders held back on breeding cows, while culling cows for slaughter. Cattle breeders in western, southwestern and the southern U.S. were forced to liquidate breeding cows because of excessive heat and lack of rain.

Normally liquidation is friendly to livestock markets dropping beef supplies. If the U.S. cattle market was the primary global supplier of beef it would be friendly. But, similar to U.S. hogs, the U.S. beef market has been fighting for market share since 2018 and has come out short. To add insult to injury, the 2016-2017 period was last time the U.S. exported more beef than it imported.

Brazil exports more beef than the U.S. and Brazil's exports since 2017 have grown averaging 11% a year compared to the U.S. exports of 7.8%. In 2020 U.S. exports, according to the USDA, were 1,433,000 metric tonnes to Brazil's beef exports of over 2,500,000 metric tonnes.

Live Cattle Futures - Weekly



Charts provided by QST

Not long ago the U.S. was the breadbasket to the world. Because of global expansion the U.S. has become a loaf of bread in the worldwide breadbasket. For 2021 and beyond, livestock profit margins will be made on production as well as tight efficiencies and strong marketing skills.

Looking ahead to 2021 and beyond it is likely that there will be increasing global competition for meats. China is working to become self-sufficient. Brazil is increasing because it has size to expand agriculture. Countries like Ukraine and Russia will expand as small farms and feedlots are quickly absorbed by corporate farms that are more efficient and can afford to use and purchase new tools and equipment.

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 **December 17, 2020** and is intended to be informative and does not guarantee price direction.*

Stock Index Futures

S&P 500, Dow and NASDAQ futures advanced to new record highs due to vaccine and fiscal stimulus optimism, along with better than expected quarterly earnings results. In addition, recent gains are linked to ideas that the Federal Reserve will remain accommodative for an extended period. Overall, stock index futures have been able to "climb the wall of worry."

There was only temporary pressure on futures earlier this month due to a disagreement between the Treasury Department and the Federal Reserve over the continuation of funding for some of the emergency programs implemented during the recession.

There is rule of thumb that new record highs in any market suggests follow-through strength is likely. In some cases, the additional strength can be substantial. The logic behind this is that, if the fundamentals are powerful enough to propel a market to new historical highs, they are probably strong enough to persist for a while longer and push prices even higher.

S&P 500 Futures - Weekly

U.S. Dollar Index

The U.S dollar has been weakening since May amid rising debt levels coupled with expectations for an extended period of low interest rates. In addition, the greenback has trended lower in December, as flight to quality longs were liquidated.

There was support for the U.S. dollar on news that October nonfarm payrolls increased 638,000 when a gain of 575,000 was expected and the unemployment rate improved to 6.9%, which compared to the anticipated 7.7%.

Longer term, the U.S. dollar will likely trend lower due to the Fed's “average inflation targeting” strategy, which suggests the U.S. central bank will remain accommodative for longer.

Euro Currency

The currency of the euro zone 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.

Many of the economic reports have been bullish for the euro currency. For example, the euro currency advanced after it was reported that euro zone industrial production increased 2.1% from a month earlier in October 2020, which was the fastest pace since July and the sixth consecutive month of growth. Market expectations were for a 2.0 % increase.

In addition, German economic expectations increased sharply in December according to the ZEW economic research institute. The measure of economic expectations increased to 55.0 in December from 39.0 in November and beat economists' forecast of 36.0.

The assessment of the current economic situation in Germany slightly worsened, falling to minus 66.5 in December from minus 64.3 in November. The reading compares to the economists' estimate of minus 67.0.

The euro zone economy grew 12.5% in the three months to September 2020, recovering from a record decline of 11.7% in the previous period. It was the steepest rate of expansion since 1995.

Interest rate differential expectations remain supportive to the euro currency. The currency of the euro zone is likely to trend higher longer term.

Crude Oil

January crude oil futures advanced over $13 since the lows were made in early November after a weak finish in October. Much of the strength can be attributed to hopes of a global economic recovery due to vaccine optimism. An EIA report showed a larger-than-forecast decline in U.S. oil inventories. The EIA said crude stockpiles fell by 3.1M barrels last week versus expectations for a 2.7M-barrel decline. However, the decline was relatively small compared to the massive, 15M-barrel increase the week prior.

The technical aspects of this market remain constructive and follow-through gains are likely.

Crude Oil Futures - Weekly

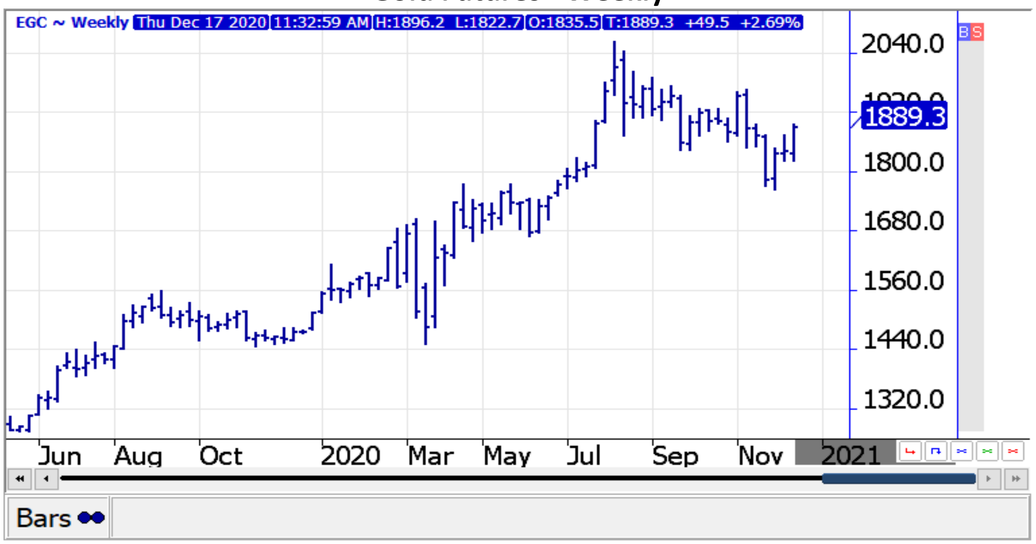
Gold

In recent weeks gold futures have trended higher as the bullish influence of inflation fears has gradually outweighed the bearish influence of flight to quality long liquidation due to vaccine optimism. There is still talk of stimulus from Washington, but it may be a smaller package. Any additional stimulus will increase expected inflation, which should boost the appeal of gold.

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, including a dovish Federal Reserve that promised to keep short-term interest rates near zero into 2023, 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



Support and Resistance

Grains

March 21 Corn

Support 4.10 Resistance 4.40

March 21 Soybeans

Support 11.40 Resistance 12.00

March 21 Chicago Wheat

Support 5.80 Resistance 6.40

Livestock

February 21 Live Cattle

Support 109.00 Resistance 117.00

February 21 Lean Hogs

Support 63.00 Resistance 68.35

Stock Index

March 21 S&P 500

Support 3650.00 Resistance 3755.00

March 21 NASDAQ

Support	12450.00	Resistance	13400.00

Energy

January 21 Crude Oil

Support	46.10	Resistance	52.50

January 21 Natural Gas

Support	2.480	Resistance	2.850

Metals

February 21 Gold

Support	1860.0	Resistance	1940.0

March 21 Silver

Support	24.750	Resistance	28.000

March 21 Copper

Support	3.5400	Resistance	3.7000

Currencies

March 21 U.S. Dollar Index

Support	88.800	Resistance	90.500

March 21 Euro Currency

Support	1.21500	Resistance	1.24500

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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 December 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 record deflation because of the significant drop in pork prices.

China

China's manufacturing sector strongly recovered from the adverse effects of the COVID-19 pandemic. In November, the CAIXIN China manufacturing PMI came in at 54.9, the highest reading since December 2010. The faster pace in normalization of the post-pandemic economy, accelerated recovery of both supply and demand, resulting in a 10-year high of production and new orders. The strong growth of supply and demand is gradually being transmitted to the job market, helping the employment index stay in the expansion range for three consecutive months. The employment index in November recorded the highest value since June 2011. More surveyed companies have begun to increase their employment in response to strong market demand.

China's official manufacturing PMI also increased 0.7 percentage points from last month to 52.1. Thanks to a significant decline in pork prices, which dropped 12.5% from a year earlier, China's consumer prices posted negative growth in November. CPI fell 0.5% year-on-year. Core CPI that excludes food and energy rose 0.5% from last year. On the industrial side, the PPI fell 1.5% year-on-year, from a 2.1% drop in October. On a monthly basis, the PPI increased 0.5%, thanks to escalating prices of energy and chemical products.

China's foreign trade sector kept outperforming other major economies amid the COVID-19 pandemic. In November, China's exports in dollar-denominated terms surged 21.1% from a year earlier to $268.07 billion. Imports rose 4.5% to $192.65 billion, leaving a monthly trade surplus of $75.42 billion, which is up by 102.9% compared to last year. As the economic consequences of the COVID-19 situation remained in overseas countries, which paralyzed their manufacturing sectors and seasonal demands, China took advantages of recovering from COVID-19 earlier to bridge the gap. Exports are expected to remain strong in months to come. Some analysts predicted that China's resilience in recovering from COVID-19 could lead to more investments in the manufacturing sector in the future.

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Recovering swine inventory and lucrative crushing margins pushed soybean prices higher and led to more soybean imports. China's soybean imports increased 10.3% from last month to 9.586 million tons. In the first 11 months, China's soybean imports amounted to 92.8 million tons, up by 17.3% compared to last year. Soybean imports are expected to be 9.32 million tons in December, according to shipping schedules. If that is that case, annual soybean imports will exceed 100 million tons for the first time.

Other Asian Countries

Japan's manufacturing PMI in November rose to 49.0 from 48.7 while the service PMI in July increased to 47.8 from 47.7. Although both PMIs were still in contraction zone, Japan has reported its economy expanded at a 22.9% annual rate in the last quarter. Although the economic rebound is significant, it is still expected that the Bank of Japan will extend pandemic programs.

South Korea's consumer price inflation rose to 0.6% in Nov 2020 from 0.1% in the previous month, but below expectations of 0.9%. Exports rose 4.0%, also below expectations of 6.8%. In addition, Korea's manufacturing PMI rose to 52.9, the highest since 2011. The Bank of Korea said GDP grew faster in the third quarter. Although Korea's economy was able to rebound from the pandemic slump, there are increasing concerns of a new wave of Covid19 that might derail the fragile economic recovery.

Thanks to ultra-low interest rates the property market in Australia is booming. The Reserve Bank of Australia decided to keep the interest rate unchanged at 0.1%. Australia's GDP advanced 33.3% in the three months through September. Household spending rose 7.9%. The RBA governor believed that although the recovery was good, fiscal and monetary policy supports were still needed. The bank also repeated that it was willing to adjust its QE program if necessary.

The RBNZ's historical low interest rates are supporting New Zealand's housing boom. As a result, the RBNZ Governor voiced concerns about rapidly increasing house prices.