ADM Investor Services, Inc.

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 **January 19, 2022.** This report is intended to be informative and does not guarantee price direction.*

The USDA's January report was neutral for corn, positive for soybeans and negative wheat prices. After the January USDA report, March soybean futures traded between 13.50 and 14.00. March corn from 5.85 to 6.08. Chicago March wheat futures traded from 7.70 to a low near 7.37. March Chicago wheat has now traded back to near 7.74 on increased tensions between Russia and Ukraine. March soymeal traded from 418 down to near 389 on better Argentina weather. March soyoil traded from 59.62 down to 57.60. Talk of higher biodiesel demand and higher palmoil prices has March soyoil trading now near 60.60.

Grain prices are adjusting to higher food, fuel and wage inflation. In January, the USDA raised the U.S. 2021/22 corn carryout at 1,540. The USDA raised ethanol demand but lowered export use. The USDA dropped the Brazil corn crop 3 mmt and Argentina .5. Further declines in 2022 South America corn supplies could increase U.S. corn export demand to 2,680 mil bu versus USDA 2,425.

In January, the USDA raised slightly the U.S. 2020/21 soybean carryout to 350 mil bu. This was due to a slight increase in the U.S. 2021 crop. The USDA lowered world soybean end stocks a record 7 mmt. Brazil's crop was lowered 5 mmt. Argentina was lowered 3 mmt. March soybean futures could be supported by even lower South America supplies and higher global demand for soyoil. The key will be consumer demand, especially China, and final 2022 South American soybean crop supplies.

In January, the USDA increased the U.S. 2021/22 wheat carryout to 628 mil bu. The USDA dropped imports 10 mil bu, feed use 25 and exports 15. The USDA raised the world 2021/22 wheat end stocks to 280 mmt. This was up 1.5 mmt with increases in the U.S., Russia and Argentina. Some feel the USDA could be 5-6 mmt under actual wheat imports. The key now is global demand and world 2022 weather. The wheat trade is concerned that reduced U.S. central bank stimulus and higher interest rates could reduce new food demand.

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 **January 19, 2022** and is intended to be informative and does not guarantee price direction.*

Live Cattle

Consumers concerned with the increasing global spread of the Coronavirus variant Omicron and inflation with high grocery prices and escalating energy costs backed off their purchases of beef in December. Compared to 2020, the U.S. Bureau of Labor Statistics reported in 2021 beef prices increased by 20.1%. Choice boxed beef on December 1, 2021 was $276.53/cwt. Retail demand during December was more obvious as high end cuts, such as the choice primal rib sections, dropped from $477.02/cwt to end the month at $339.22/cwt. On December 31, 2021 choice rib sections were $365.66/cwt.

Another obvious change in the beef market was the consumer buying cheaper cuts of beef. Consumers increased buying ground beef. Ground beef sales were close to 86% of all ground meats sold. Ground pork and ground chicken also showed increases. Live cattle futures topped on November 29 on the February 2022 live cattle contract at $141.85/cwt, fell to $135.50/cwt on December 20 and recovered to close the month on December 31 at $139.70/cwt.

ADM Investor Services, Inc.

Live Cattle Futures - Weekly

Lean Hogs

December 2021 saw a continuation of downward pricing for lean hogs. The peak at the end of September 2021 at $86.67/cwt for December 2021 lean hogs fell to $70.82/cwt on December 9 with the December contract ending out the month at $72.17/cwt. Fundamental news was not bad during December, it simply was not encouraging. The net export sales average during December was nearly 25,000 metric tons. Mexico, as it was throughout 2021, was the strongest buyer but there was disappointment that China was not buying pork as it had in 2020. Estimates for China were down nearly 45% for the year and reports from China showed their hog herd was back to levels before the outbreak of African Swine Fever. According to the U.S. Meat Export Federation, total U.S. pork meat sales were down 3.0% from January 2021 to December 2021. There is a short biological lag in hog production, and 2021 shows how a devastating problem in pork supplies in a little more than a year can be quickly reversed.

Lean Hog Futures - Weekly

Charts from QST

ADM

ADM Investor Services, Inc.

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 **January 19, 2022** and is intended to be informative and does not guarantee price direction.*

Stock Index Futures

Stock index futures finished 2021 on a strong note for its third straight annual gain and largest annual percentage advance since 2019. However, 2022 has started on a weak trajectory as Federal Reserve officials discussed a faster timetable for raising interest rates this year, potentially as early as in March. In addition, the Fed could more quickly scale-back its asset purchases, which are now on track to end in March instead of June. Some officials believe the Fed should start shrinking its massive portfolio of bonds and other assets relatively soon after beginning to hike rates.

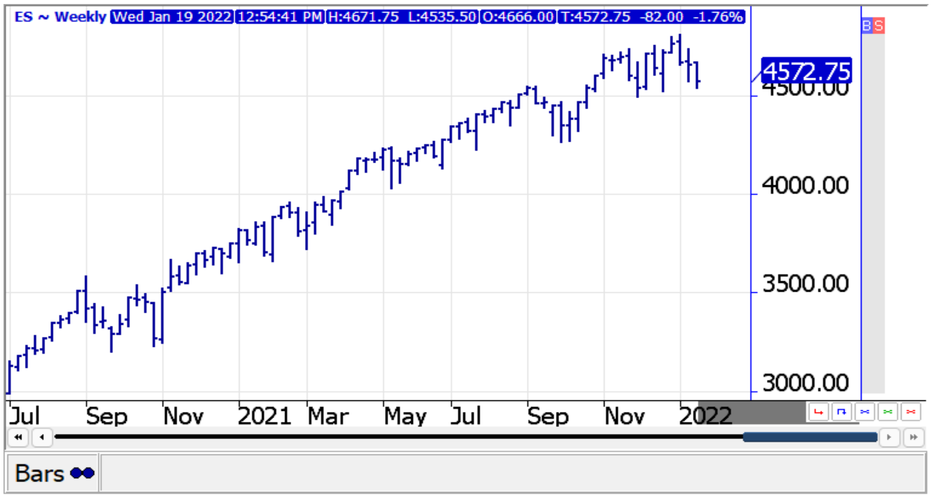
While traders are currently focusing on the bearish ramifications of a more hawkish Federal Reserve, some analysts are noticing that many recent economic reports are coming in weaker than the consensus predictions. For example, retail sales in December were down 1.9% when unchanged was expected. In addition to the weak December numbers, the November gain was revised down to 0.2% from the initially reported 0.3% increase.

In addition, the New York Empire State manufacturing index plunged to -0.7 in January of 2022 from 31.9 in December, which was well below market forecasts of 26. This reading points to the first contraction in New York business activity since the second quarter of 2020 and ends 18 consecutive months of expansion.

Some analysts are pointing out that the FOMC is tightening credit conditions at a time when the rate of growth in the economy appears to be slowing. If the U.S. economy weakens, it may be difficult for the Federal Reserve to justify an aggressive tightening of credit. That realization could materialize later in the first half of this year, which would be supportive to stock index futures.

ADM Investor Services, Inc.

S&P 500 Futures - Weekly



U.S. Dollar Index

The U.S. dollar index traded in a broad two-month sideways range before last week breaking to the downside. Oddly enough, the pressure on the greenback took place soon after the Federal Open Market Committee ramped-up its hawkish rhetoric on monetary policy. Enhanced prospects of tighter credit policies are considered to be bullish for the U.S. dollar. That was not the case this time.

Some analysts are thinking recent weakness in the U.S. dollar suggests the Federal Open Market Committee may later this year back off from its recently increased hawkishness.

This is an indication that the tighter credit policies from the Federal Reserve are currently factored into exchange rates. Expect a sideways trade for the greenback.

Euro Currency

The euro currency advanced above a triple top chart pattern, but failed to follow-through to the upside. In fact, the euro has now fallen under the triple top breakout level, indicating a false sign of strength for the euro.

Economic reports have been mixed. Factory orders in Germany jumped 3.7% month-to-month in November of 2021, rebounding from a downwardly revised 5.8% decline in October and beating market forecasts of a 2.1% increase.

Producer prices in the euro area increased 1.8% from a month earlier in November 2021, easing from a 5.4% advance in October, but beating market expectations of a 1.2% gain. The ZEW economic research institute said the index of economic expectations increased to 51.7 in January from 29.9 in December, which beat the 32.5 consensus forecast from economists.

German gross domestic product in the fourth quarter of 2021 is estimated to have contracted to between -0.5% to -1.0%, compared to the third quarter, according to the federal statistics agency. Industrial production in Germany unexpectedly edged down 0.2% month-to-month in November of 2021, following a downwardly revised 2.4% increase in October and compared to market forecasts of a 1.0% jump.

Currently, the fundamentals are neutral for the currency of the euro zone and a sideways trade is likely over the near-term.

British Pound

The British pound has steadily marched higher since the third week in December. Most economic reports have been stronger than expected. For example, the U.K. unemployment rate fell to 4.1% in the three months to November 2021, which is the lowest level since the three months to June 2020 and below market expectations of 4.2%.

Financial futures markets have priced in up to four Bank of England interest rate hikes in 2022. The hawkish Bank of England will likely sustain the bull market for the the British pound.

Japanese Yen

The Bank of Japan held its policy meeting on January 18 and left its key short-term interest rate unchanged at negative 10 basis points and that for 10-year bond yield around 0% by an 8-1 vote.

An accommodative Bank of Japan will likely result in long-term pressure on the yen.

Crude Oil

Crude oil prices have surged since mid-December reaching multi-year highs. The reason for this is the unexpected product gap. So far for 2022 the oil market is short of product due to unexpected outages, including in Libya, Ecuador and Kazakhstan, which have flipped what was thought to be a pivot towards surplus into a deep production gap.

The International Energy Agency In its monthly oil market report, said total demand this year should be 99.7 million barrels a day, around 200,000 barrels a day more than 2019 levels. Also, OPEC+ missed their planned production targets by 790,000 barrels a day last month.

The combination of relatively good demand and limited supply hikes are helping to push crude stockpiles lower, which will keep oil prices supported this year.

ADM Investor Services, Inc.

Crude Oil Futures - Weekly

Gold

Gold futures broke out above a triple top pattern at the 1833.00 level after U.K. inflation data showed prices rose at the fastest rate in 30 years in December. The high inflation environment remains a positive for gold, although a limiting factor is the many central banks are expected to increase interest rates.

I anticipate central banks may be less hawkish than many analysts expect later this year, in response to slower global economic growth, which is long-term supportive to the price of gold.

Gold Futures - Weekly

Charts from QST

ADM Investor Services, Inc.

Support and Resistance

Grains

March 22 Corn

Support	5.75	Resistance	6.25

March 22 Soybeans

Support	13.25	Resistance	14.25

March 22 Chicago Wheat

Support	7.40	Resistance	8.40

Livestock

February 22 Live Cattle

Support	133.50	Resistance	142.00

February 22 Lean Hogs

Support	72.00	Resistance	87.50

Stock Index

March 22 S&P 500

Support	4360.00	Resistance	4750.00

March 22 NASDAQ

Support	14100.00	Resistance	16300.00

Energy

March 22 Crude Oil

Support	80.50	Resistance	90.00

March 22 Natural Gas

Support	3.660	Resistance	4.300

Metals

April 22 Gold

Support	1790.0	Resistance	1880.0

ADM Investor Services, Inc.

March 22 Silver

Support	22.80	Resistance	26.60

March 22 Copper

Support	4.3050	Resistance	4.6200

Currencies

March 22 U.S. Dollar Index

Support	94.200	Resistance	96.400

March 22 Euro Currency

Support	1.13500	Resistance	1.15000

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 **19 January 2022**. 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 the better-than-expected export performance and easing industrial inflation. Japan's PPI remained high. New Zealand is expected to hike interest rates again and Australia remains cautious in cutting stimulus.

China

With improved market conditions and stronger demand, China's factory activities accelerated in December 2021, and the Caixin China Manufacturing PMI stood at 50.9, 1 percentage point higher than last month, returning to expansion territory. Production expanded for two months in a row as the supply chain improved. New orders rebounded into expansion as well, as surveyed enterprises indicated that customer demand improved. But some also reported that the overall growth rate of orders has been suppressed due to relatively high costs, delayed supply chains and the ongoing pandemic. New export orders remained in contraction for the fifth consecutive month, as export sales were dragged down by repeated outbreaks of COVID, shortages of shipping containers and rising freight rates. The official manufacturing PMI also picked up 0.2 percentage points from last month and came in at 50.3.

China's consumer inflation remained moderate in January. The CPI increased 1.5% year-on-year as food prices, especially meat prices further eased. For year 2021, the CPI rose 0.9% from a year earlier. The PPI rose 10.3% year-on-year, compared to a 12.9% increase in November, as the coal supply situation eased, and prices of other industrial products declined. On a monthly basis, the PPI fell 1.2%. In year 2021, the PPI climbed 8.1% and marked a record high. The PPI is expected to further ease as commodity prices stabilize.

China's exports in dollar-denominated terms rose 20.3% year-on-year in December 2021, beating market expectations. Imports increased 19.5% from a year earlier. In year 2021, thanks to the well-controlled domestic pandemic situation and recovering overseas demand, China's total import and export values rose 30% year-on-year and for the first time exceeded 6.05 trillion U.S. dollars. The trade surplus for year 2021 also reached a record high of 676.4 billion U.S. dollars. Exports to EU and Latin America grew over 20% and 40% respectively. For year 2022, given a relatively higher comparative basis, the growth rate of exports is expected to hover around 8.0%.

In December, China imported 8.87 million tons of soybeans, slightly more than November's 8.57 million tons. In year 2021, China's soybean imports for the first time declined since 2018, down by 3.8% from a year earlier to 96.52 million tons. This was largely due to the oversupply of hogs, which severely suppressed pork prices and turned profitable pig-farming margins into negative returns and adversely affected soymeal demand. In addition, the sharp increase in wheat feed use reduced demand for soybeans.

Other Asian Countries

The IHS Markit South Korea Manufacturing PMI rose to a three-month high of 51.9 in December 2021 from 50.9 in November. New orders rose the most in three months, despite the overall expansion being subdued by comparison to those seen in H1 2021. Meanwhile, output fell for the third straight month, and export sales fell for the first time since September 2020, amid rising COVID-19 cases globally and a drop in demand from Japan. Employment rose to a six-month high. The Bank of Korea raised its base rate by 25 basis points to a pre-pandemic level of 1.25% during its January 2022 meeting, as widely expected, citing persistent inflation concerns and mounting household debt. Policymakers projected the CPI will continue to run in the 3.0% range for a considerable time, exceeding the path projected in November and above the mid 2.0% level in 2022.

Producer prices in Japan rose by 8.5% year-on-year in December, the tenth straight month of producer price inflation, amid high commodity prices. On a monthly basis, producer prices shrank 0.2%, the first decline in a year, after rising a 0.7% in November. The Bank of Japan left its key short-term interest rate unchanged at -0.1% and that for 10-year bond yields around 0% during its January meeting, as widely expected. The board of the BOJ also revised higher the projected growth for fiscal year 2022 to 3.8% from earlier projections of 2.9%, reflecting massive stimulus from the government, but lowered the GDP growth for the current fiscal year to 2.8% from 3.4%, amid lingering supply constraints.

The Reserve Bank of Australia has repeatedly insisted that a hike in domestic rates is not likely until 2023, or until inflation pushes sustainably within its 2.0%-3.0% target range. The RBA also lagged behind other major central banks in dialing back pandemic-era stimulus, but is set to decide whether to end its bond-buying program early this year at its February 1 meeting. The Consumer Sentiment Index in Australia declined 2.0% on a monthly basis to 102.2 in January 2022, remaining relatively solid despite the rapid spread of the omicron variant over the last month. Consumers in states impacted by “delta” lockdowns appear to have been less unsettled by the rapid spread of the omicron than those in states experiencing their first major wave of Covid infections.

Electronic card transactions in New Zealand rose 0.4% over the previous month in December 2021, after increasing 9.5% in the previous month. As COVID-19 restrictions eased in December across most of the country, New Zealanders had access to a wider range of products and services, such as hairdressers and personal care services. The Reserve Bank of New Zealand is widely expected to increase its key interest rate to 1.0% at its February 23 policy meeting amid persistent inflation and the record low unemployment rate after hiking interest rates twice to 0.75% last year. A milder than expected third quarter economic contraction in New Zealand also solidified expectations of further central bank monetary tightening.

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