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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 ***February 17 , 2022.*** *This report is intended to be informative and does not guarantee price direction.*

The USDA's February report was neutral for corn, positive for soybeans and negative wheat prices. After the February USDA report, May soybean futures traded up to 16.34, fell to 15.46 and rallied back to 15.93. May corn went from 6.32 to 6.60, fell to 6.35 and then rallied back to 6.47. Chicago May wheat futures traded from 7.76 to 8.20, then fell to 7.79. May soymeal traded from 453 to 474 and then fell to 435. May soyoil traded from 62.81 to 67.07.

Grain prices are adjusting to higher food, fuel, wage inflation and job shortages. Commodity prices are also trying to adjust to expectations that the Federal Reserve will raise interest rates in 2022. In February, the USDA left the U.S. 2021/22 corn carryout at 1,540. The USDA dropped the Brazil corn crop 1 mmt and left the Argentina crop unchanged. Further declines in 2022 South America corn supplies could increase U.S. corn export demand to 2,650 mil bu versus the USDA's 2,425.

In February, the USDA lowered the U.S. 2020/21 soybean carryout to 325 mil bu. This was due to an increase in the crush. The USDA lowered world soybean end stocks 2.4 mmt. Brazil's crop was lowered 4 mmt and Argentina was lowered 1.5 mmt. May 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 February the USDA increased the U.S. 2021/22 wheat carryout to 648 mil bu. The USDA dropped food use 3 mil bu and exports 15. The USDA lowered the world 2021/22 wheat end stocks to 278 mmt. Some feel the USDA could be 5-6 mmt underestimating actual wheat exports. 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 slow new food demand. Uncertainty over if Russia invades Ukraine is limiting new positions due to the potential increase in price volatility.

Corn Futures - Weekly

Chart from QST

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

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Live Cattle

January 2022 started out near contract highs for February 2022 live cattle at $144.20/cwt, but on January 4 traders reversed long positions and prices fell losing $5.17/cwt through January 24, 2022. There was a quick recovery from the January 24 low with February 2022 futures ending the month at $144.82/cwt. Live cattle futures tracked well with the cash market during January 2022. The average price for cash steers at the beginning of January was $139.59/cwt, and by January 24 cash cattle steers averaged $137.13/cwt and ended the month at $137.02/cwt. However, by first notice day for February 2022, cash steers were averaging $140.02. The beef market did the opposite of the cattle markets as it moved higher throughout the month. The choice boxed beef composite price was at $266.03/cwt to start the month and ended the month at $290.40/cwt. The main reason for this was the reduced U.S. federal slaughter for January. By month end, the year to date slaughter was off 6.4%.

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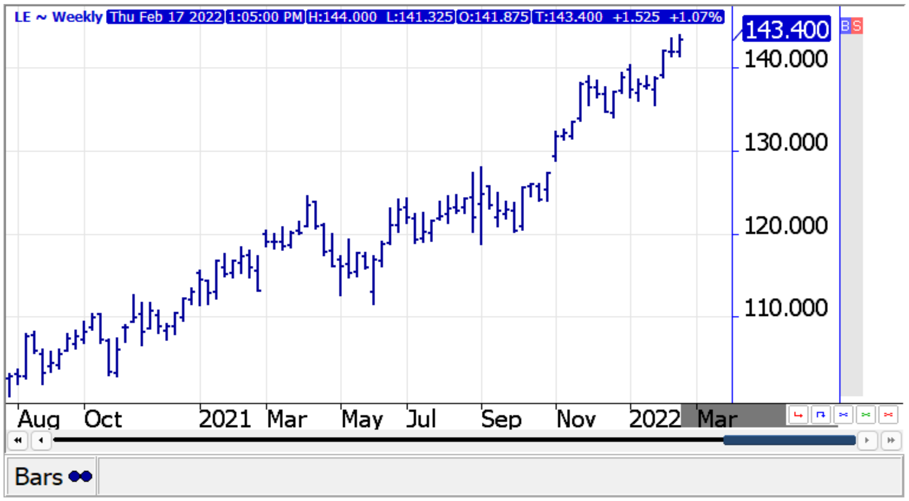
Live Cattle Futures - Weekly



Lean Hogs

From mid-September 2021 through January 13, 2022 lean hogs traded in $10.00/cwt to $13.00/cwt ranges. During January 2022, February 2022 lean hogs opened at $81.52/cwt , dropped to a low on January 13 at $77.05/cwt and took off to the upside with a high of $89.50 /cwt and settling at $88.15/cwt.

Because of the COVID pandemic, liquidation and euthanasia in hogs and the extremely low prices in 2020 along with rising feed prices since the late summer of 2020, hog inventories have been dropping. As of January 28, 2022, year to date, U.S. hog federal slaughter was down 11.4%. Because of the drop in slaughter and rising beef prices in January, pork prices rallied. USDA pork carcass prices began January at $86.61/cwt and ended the month at $95.48/cwt.

Lean Hog Futures - Weekly

Charts from 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

Futures trended lower in 2022 as Federal Reserve officials discussed a faster timetable for raising interest rates this year. Many market participants expect the Federal Open Market Committee will increase its fed funds rate six times this year with the first hike likely at the March 16 meeting.

Economic reports have been mixed. Retail sales in January increased 3.8% when up 2.0% was expected. Industrial production in January increased 1.4% when a gain of 0.4% was anticipated and capacity utilization was 77.6% when 76.7% was predicted.

On the weaker side were the National Federation of Independent Business small business optimism index in January, which fell to an 11-month low of 97.1 when 97.5 was expected and the February Empire State Manufacturing Index, which was 3.1 when 10.0 was estimated.

The dominant influence now is the geopolitical risk, followed closely by the hawkish Federal Reserve.

S&P 500 Futures - Weekly

U.S. Dollar Index

Since the beginning of the year, breakouts have not followed through in either direction for very long. There was only limited support due to flight to quality buying in light of tensions in Ukraine. Oddly enough, some 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 usually considered to be bullish for the U.S. dollar, which was not the case this time. The greenback only showed a limited bullish response to the ramped-up hawkish Federal Reserve rhetoric. 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 traded higher on news that the unemployment rate in the euro area declined to a record low of 7.0% in December of 2021 from a downwardly revised 7.1% in November, and slightly below market forecasts of 7.1%. Gains in the euro were limited due to a report that showed retail sales in Germany fell 5.5% in December, following a 0.6% increase in November.

The euro currency declined after European Central Bank President Christine Lagarde said there are no signals that euro zone inflation will be significantly and persistently above the ECB's target over the medium term and that any adjustment to policies will be gradual.

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

Japanese Yen

The Bank of Japan made an offer for unlimited government bond purchases, moving to limit a surge in long-term interest rates. Japan's central bank set the interest rate for purchasing 10-year government bonds at 0.25%. The market rate had risen close to that level recently on speculation the BoJ might begin reeling back its ultra-loose monetary policy to be in line with other central banks. The latest decision highlights the BoJ's intention to keep interest rates low since inflation remains well below its target rate of 2.0%.

An accommodative BoJ 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 production gap. So far for 2022 the oil market is short of product due to unexpected outages, which have flipped from what was thought to be a pivot towards surplus into a deep production gap. Traders are watching the U.S.-Iran nuclear talks that could be bearish if an agreement is reached, and Russia's possible invasion of Ukraine that would be bullish.

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

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Crude Oil Futures - Weekly

Gold

Gold futures are higher and may retest eight-month highs, due to the precious metal's safe-haven status amid ongoing geopolitical uncertainty. In addition, there are the increasing inflation concerns. Any Ukraine conflict escalation will drive economic disruptions and more persistent inflationary pressures, which will lead markets to adopt a more risk-off mood and in turn, underpin gold prices.

Another tailwind for gold prices includes some easing of interest rate increase expectations. While the Fed's minutes from its January 25-26 policy meeting did not appear to differ from recent public comments from Federal Reserve officials, traders were relieved that they did not show an even more hawkish tone. The minutes made no mention of a discussion of a potential 50 basis point rate hike at the Fed's March meeting.

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.

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Gold Futures - Weekly

All Charts by QST

Support and Resistance

Grains

May 22 Corn

Support	6.20	Resistance	6.80

May 22 Soybeans

Support	15.50	Resistance	16.50

May 22 Chicago Wheat

Support	7.50	Resistance	8.30

Livestock

April 22 Live Cattle

Support	138.00	Resistance	152.00

April 22 Lean Hogs

Support	98.00	Resistance	112.00

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Stock Index

March 22 S&P 500

Support	4200.00	Resistance	4570.00

March 22 NASDAQ

Support	13400.00	Resistance	15000.00

Energy

April 22 Crude Oil

Support	86.00	Resistance	95.00

April 22 Natural Gas

Support	3.940	Resistance	4.900

Metals

April 22 Gold

Support	1870.0	Resistance	1935.0

May 22 Silver

Support	23.40	Resistance	25.25

May 22 Copper

Support	4.3850	Resistance	4.6300

Currencies

March 22 U.S. Dollar Index

Support	95.000	Resistance	96.400

March 22 Euro Currency

Support	1.12200	Resistance	1.14500

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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 ***17 February 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 reduced manufacturing activities and industrial inflation. Japan's GDP showed sharp growth in Q4, 2021.

China

In January 2022, due to tight measures to cope with the outbreak of COVID-19 infections in multiple cities, China's factory activities eased. The CAIXIN China manufacturing PMI fell to 49.1 from last month's 50.9, the lowest reading since March, 2020, indicating downward pressure. This was in line with the official manufacturing PMI, which dropped 0.2 percentage points to 50.1. Judging from the sub-indices of the Caixin Manufacturing PMI, both supply and demand weakened. The production index fell back into contraction after recovering for two consecutive months, the lowest since September 2021.

Many surveyed manufacturers reported that the recent resurgence of the COVID-19 pandemic at home and abroad has led to a decline in sales and production. New orders fell to the lowest level since September 2021. New export orders recorded a new low for the past 20 months, indicating that the spread of Omicron has greatly suppressed overseas demand. Weaker supply and demand led to increased pressure on manufacturing employment. The employment index hit its lowest level since May 2020 and has been in contractionary territory for six months in a row. China's inflation rate eased further due to lower food prices. In January, the consumer price index increased 0.9% from a year earlier, 0.6 percentage points lower than last month. Pork prices declined 41.6% year-on-year, while vegetable prices dropped 4.1%, forming a stark contrast to rising global prices. Prices of industrial products continued to fall. In January, the producer price index rose by 9.1% year-on-year, and the increase was 1.2 percentage points lower than the previous month. The annual increase of the prices of coal mining and washing, and oil and natural gas extraction declined 15.5 and 7.4 percentage points respectively. As pork prices are expected to enter an upward track in Q2 or Q3, the consumer price index is estimated to moderately pick up, but still remain in a reasonable area. The producer price index is expected to ease further in coming months.

To meet the growing domestic demand for soybeans, the Chinese government has introduced policies to stimulate soybean planting. In 2022, the soybean planting area in Heilongjiang is expected to increase by 1.6 million acres, a year-on-year increase of 18%. In 2022, China's domestic soybean production is expected to significantly increase year-on-year. Meanwhile, in 2022, the demand for soy products in China will probably continue to decline in the first half and recover in H2. Low pork prices will continue to squeeze the market share of vegetable protein in the first half of the year. However, as the excess production capacity of live pigs is digested by the market and the price of live pigs gradually rises, the demand for soy meal is expected to recover in Q3 and Q4.

Other Asian Countries

The IHS Markit South Korea Manufacturing PMI rose to a six-month high of 52.8 in January 2022 from 51.9 in December 2021. Output gained for the first time in four months. New order growth accelerated, and foreign demand grew slightly amid strong orders from key markets, including the U.S., Europe and China. Also, employment rose for the second straight month, with backlogs of work increasing. At the same time, input lead times lengthened the least since October, as firms added purchases and the stockpiling of raw materials in an effort to protect against delays to shipments amid ongoing supply chain disruptions. Input cost inflation eased to a four-month low, while output increased further as firms continued to pass higher costs onto clients, albeit at a slower pace. Finally, sentiment strengthened to a five-month high, amid hopes that the end of the pandemic would trigger a recovery in the global economy and supply chains.

The Japanese economy advanced 5.4% on an annualized basis in Q4 of 2021. The sharp rebound marked the strongest pace of expansion since Q4, 2020, as COVID-19 situations were under control following a fall in coronavirus cases and surging vaccinations. Household consumption rebounded sharply, increasing the most in five-quarters. Business investment bounced back and net exports contributed further to the GDP, with exports recovering from a decline in Q3 and imports extending their declines In January 2022, Japan’s exports rose by 9.6% year-on-year, the weakest growth in shipments since last October, as global demand eased amid rising cases of the Omicron strain and persistent supply chain issues.

While inflation in Australia picked up, it was too early to conclude that it was sustainably within the target band, minutes of the Reserve Bank of Australia's February policy meeting showed. The board mentioned it was prepared to be patient while monitoring how the various factors affecting inflation in the country evolve. Members remained committed to maintaining highly supportive monetary conditions to achieve the objectives of a return to full employment and inflation consistent with the target. In the meantime, Australia's seasonally adjusted

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unemployment stood at 4.2% in January 2022, unchanged from a month earlier. The latest reading was in line with market estimates, while remaining at the lowest level since August 2008, as COVID-19 lockdowns were lifted.

The Business NZ Performance of Services Index in New Zealand fell to 45.9 in January of 2022 from an upwardly revised 49.8 in the prior month, the sixth straight contraction in the Kiwi services sector. Lower output was seen in all sub-indices, as new orders/business dropped to its lowest level of 41.8 since May 2020 and activity/sales swung into contraction territory. At the same time, employment shrank at the steepest rate since August 2021, while supplier deliveries and inventory levels also fell back. However, credit card spending in New Zealand rose 3.0% over the previous month in January of 2022, the fifth consecutive month of increases, returning to similar levels seen before the lockdown in August.

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