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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* ***March 17, 2021.*** *This report is intended to be informative and does not guarantee price direction.*

After the March USDA report, soybean, corn and wheat futures were rangebound. May soybeans traded between 13.90 and 14.25 and May Chicago wheat between 6.30 and 6.50. May corn traded between 5.30 and 5.55. In South America, rains are falling across some of the drier than normal parts of Argentina. Brazil is now turning drier, which should help the soybean harvest and finish corn planting. Rains across the U.S. southern plains and southern Midwest should help soil levels there and improve the outlook for the U.S. 2012 HRW crop. Delta rains may be slowing early planting there. It remains dry across the U.S. northern plains. Managed funds remain long in the grains and oilseed futures market. The USDA's March 31 U.S. acreage and March 1 stocks report estimates could be key to price direction. U.S. and Argentina rains have reduced some of the bullish enthusiasm for now.

In March, the USDA left the U.S. 2020/21 corn carryout at 1,502 mil bu. This disappointed the longs. Most analysts believe total demand will increase and could take 350 mil bu off the 1,502 carryout. The USDA left China's corn imports at 24.0 mmt but some analysts believe final exports could be closer to 30 mmt. Most feel corn futures could see increased price volatility going into the end of the 2020/21 market year. Declining La Nina could suggest a normal U.S. spring.

In March, the USDA left the U.S. 2020/21 soybean carryout at 120 mil bu. This disappointed many of the futures longs. Most feel final export demand could increase and could take the final carryout to near 100 mil bu. Still, the U.S. 2020/21 soybean export marketing year is winding down, which offers resistance to futures. The USDA increased the Brazil soybean crop to 134.0 mmt and lowered the Argentina crop to 47.5 from 48.0. The USDA left China's soybean imports at 100.0 mmt. Higher demand and declining supplies continue to support soyoil prices versus soymeal. Concerns about the spread of African swine fever in China have weighed on soybean and soymeal prices.

In March, the USDA left the U.S. 2020/21 wheat carryout unchanged at 836 mil bu. Uncertainty over Russia's wheat export policy and the slow U.S. wheat export pace has weighed on wheat futures taking them off of recent highs. Most analysts feel damage from a cold winter may be minimal and March and April rainfall will be key to the U.S. final wheat crop.

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 eventually trend lower on talk of higher 2021 U.S. debt. All of this could be key to grain and soybean price trends 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* ***March 17, 2021*** *and is intended to be informative and does not guarantee price direction.*

### Live Cattle

At the beginning of February 2021, live cattle futures appeared to be a continuation of the bull market that began in 2020. On February 1 April live cattle settled at $120.70/cwt and by mid-month April futures moved up to $126.70/cwt. Beef had solid demand with choice boxed beef gaining over $21.00/cwt during the first couple weeks of February. Feedlots for the first half of February saw prices move up from $110.00/cwt to $114.00/cwt. However, beef prices began to correct by the middle of February. There were too many overweight choice and select cattle.

Beef demand was good, but consumer demand shifted. Consumers were buying cheaper beef such as ground beef and not roasts or steaks. With the availability of the larger primal cuts from select cattle, processors used cheaper select beef to grind and in doing so the oversized choice cuts were pressured. Several times in February the select chucks and rounds cost more than choice cuts. Fabricators bought select beef with less fat to grind up and added fat if needed. Compared to 2020, by the end of February 2021, the year to date cattle slaughter was down in the U.S. by 3.1%. But with heavier cattle the amount of beef was down just 1.4% year to date.

**Live Cattle Futures - Weekly**


## Lean Hogs

At the end of February 2021 year to date U.S. cumulative pork production was down 2.2%. Federal hog slaughter was down 3.8% year to date. Fewer hogs slaughtered along with strong U.S. and global demand spurred lean hog and pork prices, which was a continuation of the recent rally that began on December 11, 2020 at $67.35/cwt and off the extreme low of April 4, 2020 at $58.10/cwt for the April 2021 lean log contract.

The rally from February 1, 2021 to the end of the month was a gain of $16.92 from the low at $73.75/cwt to the high at $90.67/cwt. The CME pork index during February was up $11.01/cwt. Although U.S. pork exports started the year slow, global demand has pushed prices higher. For February, Brazil increased exports by 30% year to date and increased exports to China by 20% year to date. Although Germany lost exports to China when wild boars were found in 2020 with African swine fever, other E.U. nations picked up Germany's losses to China. Germany was quick to find other global buyers for their pork.

**Lean Hog Futures - Weekly**


*Charts provided by QST*

## 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* ***March 18, 2021*** *and is intended to be informative and does not guarantee price direction.*

### Stock Index Futures

S&P 500 and Dow 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 were linked to ideas that the Federal Reserve will remain accommodative for an extended period. The Federal Open Market Committee at its March 18 policy meeting indicated officials still expect no change to monetary policy this year and anticipate borrowing costs will remain near zero through at least 2023, with the median outlook among Fed officials unchanged from the December forecast.

There is a rule of thumb that new record highs suggest follow-through strength is likely. When new historical highs were made in August of 2020 it was an indication that there could be additional gains, which proved to be the case. The latest new highs were registered in February 2021. This rule of thumb also worked when new record highs were made in April of 2019. After a brief correction, futures advanced to a new historical high in July of 2019. This rule worked well in July of 2016, as futures continued to advance into January 2018. In addition, this rule worked in April of 2013 when new highs were registered, and futures continued to advance into May of 2015.

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

A spike in U.S. Treasury yields earlier this month supported the U.S. dollar index and sparked a risk-off move in global currencies. However, there appears to be resistance at the 92.550 area for the June U.S. dollar index futures and there appears to be support near the 90.000 level.

More recently, the greenback has come under pressure after a series of weaker than expected economic reports. For example, February housing starts were 1.421 million when 1.584 million were expected and permits were 1.682 million, which compares to the anticipated 1.886 million. In addition, February retail sales fell 3.0% when a decline of 0.5% was expected. Also, industrial production in February declined 2.2% when an increase of 0.5% was anticipated and February capacity utilization was 73.8%, which compares to the estimated 75.7% One better than anticipated report was the March Empire State Manufacturing Index, which was was 17.4 when 14.8 was expected.

The U.S. dollar declined when the Federal Open Market Committee‘s statement on March 17 leaned to the dovish side.

In the longer term, upside potential is limited by the belief that an increase in fiscal spending in the U.S. would raise the budget and current account deficits. Also undermining the greenback’s upside potential are expectations for an extended period of low interest rates due to the Fed's “average inflation targeting” strategy, which suggests the U.S. central bank will remain accommodative for longer.

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## Euro Currency

The euro currency found support near the 1.1860 area. The euro strengthened after the European Commission said its Economic Sentiment Indicator, which is an aggregate measure of business and consumer confidence, improved to 93.4 in February from 91.5 in January. This is the highest level since March 2020 and beat the forecast of 91.6. In addition, the euro firmed on news that wholesale prices in Germany jumped 2.3% year-on-year in February of 2021, which is the largest increase since December of 2018 and after an unchanged reading in January.

Gains were limited by news that euro zone retail sales fell sharply at the beginning of the year. The European Union's statistics agency said the volume of retail sales declined 5.9% in January on the month, which is a larger decline than the 1.7% drop economists expected. Compared with January 2020, sales fell 6.4% in calendar-adjusted terms in the euro zone.

There was some pressure on the currency of the euro zone when the European Central Bank at its March 11 policy meeting said it will ramp up the pace of its purchases of euro zone debt.

Interest rate differential expectations are neutral for the euro currency.

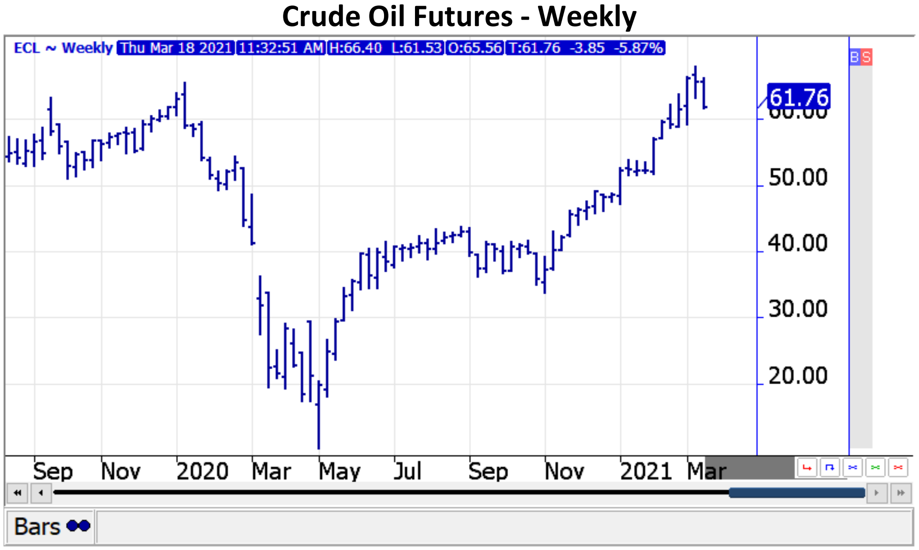
## Crude Oil

Earlier this month crude oil futures advanced to their highest level since November 2018 amid weather related supply disruptions. However, more recently prices came under pressure as investors worried about continued weak demand in Europe. The International Energy Agency said it will take another two years at least for global demand to return to pre-pandemic levels.

The U.S. Energy Information Administration reported a fourth straight weekly build in crude stockpiles. EIA data showed U.S. crude oil inventories climbed to half a billion barrels, which is almost 50M barrels more than this time last year and 60M more than at this time in 2019.

In spite of recent weakness, the long-term fundamentals remain bullish and higher prices for crude oil are likely.

**Crude Oil Futures - Weekly**



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*Charts provided by QST*

## Gold and Silver

Gold futures are seeing only limited support from increasing prospects of rising inflation levels. Flight to quality longs in gold continue to be liquidated in light of a stabilizing U.S. dollar. Recently there has been support for gold when the Fed signaled it will allow the U.S. economy to run hot with inflation above 2.0% and suggested increases in interest rates are at least three years down the road.

The near-term fundamentals are mixed for gold. However, in the longer term, gold will likely trend higher.

The silver market at this time appears to be more attractive and has gained on gold. Supporting silver are rumors of supply issues. In addition, the technical aspects of silver remain constructive. Expect higher prices for silver.

## Support and Resistance

### Grains

**May 21 Corn**

| | | | |
|---|---|---|---|
| Support | 5.20 | Resistance | 5.80 |

**May 21 Soybeans**

| | | | |
|---|---|---|---|
| Support | 13.50 | Resistance | 14.50 |

**May 21 Chicago Wheat**

| | | | |
|---|---|---|---|
| Support | 6.00 | Resistance | 7.00 |

### Livestock

**June 21 Live Cattle**

| | | | |
|---|---|---|---|
| Support | 115.50 | Resistance | 126.75 |

**June 21 Lean Hogs**

| | | | |
|---|---|---|---|
| Support | 95.10 | Resistance | 110.00 |

### Stock Index

**June 21 S&P 500**

| | | | |
|---|---|---|---|
| Support | 3855.0 | Resistance | 4000.00 |

**June 21 NASDAQ**

| | | | |
|---|---|---|---|
| Support | 12600.00 | Resistance | 13460.00 |

### Energy

**May 21 Crude Oil**

| | | | |
|---|---|---|---|
| Support | 57.00 | Resistance | 66.20 |

**May 21 Natural Gas**

| | | | |
|---|---|---|---|
| Support | 2.400 | Resistance | 2.710 |

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## Metals

**June 21 Gold**

| | | | |
|---|---|---|---|
| Support | 1695.0 | Resistance | 1780.0 |

**May 21 Silver**

| | | | |
|---|---|---|---|
| Support | 25.40 | Resistance | 28.20 |

**May 21 Copper**

| | | | |
|---|---|---|---|
| Support | 3.9500 | Resistance | 4.2700 |

## Currencies

**June 21 U.S. Dollar Index**

| | | | |
|---|---|---|---|
| Support | 90.350 | Resistance | 92.300 |

**June 21 Euro Currency**

| | | | |
|---|---|---|---|
| Support | 1.19100 | Resistance | 1.21600 |


## 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 **17 March 2021**. 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 record strong exports thanks to overseas demand recovering. Central Banks in the region is tempering expectation on tightening amid the rise of bond yield.

### China

As the reoccurrence of the COVID situation in scattered regions prior to the Chinese New Year holiday weighed on demand and impacted on business operations, the CAIXIN China manufacturing PMI fell to 50.9 in February, the lowest since May of last year. New export business declined for the second month in a row and output growth eased to a ten-month low and only expanded at the weakest rate for nine months. In the meantime, the shortage of raw materials and transportation delays led to a significant lengthening of suppliers' delivery times.

Job shedding continued and backlogs of work fell for the first time since last May. However, surveyed prospect for output growth in the coming year came in relatively optimistic as the global economy is expected to recover.

Lower food prices led to negative growth in consumer prices. In February, China's CPI dropped 0.2% from last year. Pork prices declined 14.9% year-on-year, knocking 0.39% off the CPI. On a monthly basis, the CPI increased 0.6%. On the industrial side, the PPI rose 1.7% from a year ago. Prices of oil and natural gas in the extraction industry, petroleum, coal and others in the fuel industry, chemical fiber manufacturing industry rose 7.5%, 4.9% and 3.6% respectively, thanks to increasing oil prices. The PPI is expected to increase as commodities prices, especially crude oil keeps climbing.

The combination of improved overseas demand and a low comparative basis from last year led to a surge in China's export growth in the first months of 2021. According to statistics from the General Administration of Customs, China's exports in dollar-denominated terms jumped 60.6% in January and February from last year, while imports increased 22.2%, leaving the country a monthly trade surplus of $103.25 billion. The trade gap between China and the U.S. remained large, as exports to the U.S. were up 87.3% in the two-month period from a year earlier, while imports from the U.S. rose 66.4%. As the vaccination for COVID-19 rolls out and the pandemic fades, demand for textiles for medical purposes such as masks and work-from-home supplies are expected to decline, which led to a deceleration of China's export surge.

In the first two months of 2021, China's soybeans imports edged down 0.8% to 13.41 million tons from last year's 13.51 million tons, due to delayed harvesting and shipping caused by heavy rainfall and floods in Brazil. China's soybean imports kept rising to accommodate demand from the recovering hog feeding industry, which was hit by African swine fever in the past years. The Chinese government has rolled out policies encouraging farmers to increase planting acreage of soybean and corn, as imports of both hit record high levels in year 2020.

## Other Asian Countries

Japan's Manufacturing PMI in February recorded the fastest expansion since December 2018. The figure was 51.4, which improved from the prior month's 49.8. The Service PMI, however, stayed in the contraction zone for a thirteenth straight month. The figure was 46.3, which slightly improved from 46.1, because of a decline in new and export business. With bond yields increasing globally, the Bank of Japan meeting on 19 March will be closely monitored for any change in policies.

South Korea's PMI jumped to 55.3 in February, which is the highest level since April 2020. Increasing demand and new product development is the major reason behind the boost. While

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keeping the rate unchanged, the Bank of Korea increased the inflation outlook from 1.0% to 1.3% amid improving domestic demand and rising global oil prices.

The Reserve Bank of Australia kept its key interest rate unchanged at the March meeting and lowered the expectation for any tightening. Governor Philip Lowe repeated his message of "lower for longer," and believes wage growth needs to reach 3.0% in order to drive inflation to the central bank's target. Australian home prices climbed 2.1% in February, the biggest jump since August 2003, thanks to record low borrowing costs and government incentives.

The Reserve Bank of New Zealand kept interest rates unchanged and tempered tightening expectations. The Bank kept its asset buying plan unchanged and expressed a cautious outlook on the economy. However, a red-hot property market and a strong economic recovery poses risks that the RBNZ will lift rates sooner rather than later.