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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 **November 19 , 2021.** This report is intended to be informative and does not guarantee price direction.*

The USDA's November report was positive for corn, soybeans and wheat prices. After the November USDA report, November soybean futures traded higher from 11.81 to 12.89. December corn rallied 5.47 to 5.89. Chicago December wheat traded from a low near 7.62 to a high near 8.43. December soymeal traded from 330 to near 382. December soyoil traded to near 60.58 but dropped to 57.50 due to lower energy prices and concern that the EPA may announce lower biofuel mandates.

Grain prices are adjusting higher food and fuel inflation. In November, the USDA estimated the U.S. 2021/22 corn carryout to be near 1,483. The USDA raised ethanol use 50 mil bu but raised the U.S. crop 53 mil bu. Consumers are not covered for 2021/22 needs. Open interest increased on new speculative and consumer buying. Key now is U.S. demand and South American weather.

In November, the USDA increased the U.S. 2020/21 soybean carryout to only 340 mil bu. This was a surprise with some analysts closer to 450. Concerns about Canada's canola crop rallied world canola oil prices, while higher U.S. domestic demand rallied soymeal futures. The USDA lowered the U.S. soybean yield to 51.2. The USDA lowered U.S. 2021/22 exports 50 mil bu. The key will be consumer demand, especially China, and 2022 South American weather.

In November, the USDA increased the U.S. 2021/22 wheat carryout to 583 mil bu. The USDA dropped imports 10 mil bu and exports 15. The USDA left the world 2021/22 wheat crop at 775. Some feel the USDA's estimate of global trade may be too low. Also, some analysts feel the USDA estimate of E.U. and Russia wheat exports may be too high. Higher world wheat prices, especially in Russia, could shift some export demand to the U.S. World prices may need to rally to slow global wheat demand.

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

The week before Labor Day, August 24, 2021, October live cattle futures topped and throughout September 2021 went into a steep decline losing $12.50/cwt by September 30. However, the decline stopped on October 1, and by the end of the month October 2021 live cattle futures regained $7.15/cwt.

The decline in futures during September was simply too much speculative selling, and when trading began in October traders needed to rectify the oversold conditions. From the first week in October, cash cattle averaged $124.00/cwt, which was close to $4.00/cwt above October live cattle futures. Trading in the first two weeks of October saw futures markets correcting. The move up was met with hesitation because the boxed beef market was still coming off the highs of the summer. But beef packer profit margins were highly profitable, and packers were willing to buy cattle at higher prices. By the fourth week in October, cash cattle prices gained $1.00/cwt to $2.00/cwt with strong demand for choice primal rib sections as retailers placed orders for the upcoming holidays and improved demand from restaurants as more cities relaxed mask mandates and there were more nationwide vaccinations. By the end of the month the cash cattle market averaged $127.00/cwt, which was in line where October 2021 live cattle futures settled at $127.37/cwt with the increasing demand for boxed beef.

Live Cattle Futures - Weekly

Lean Hogs

From October 2020 through June 2021, the lean hog market was a great example of a runaway bull market. However, when October 2021 topped on June 8, 2021 at $97.87/cwt trading throughout the summer looked like a child's teeter totter with traders buying and selling the fall futures. From June 2021 and every month following until October, the October 2021 lean hog futures fluctuated from a high to a low four times with trading ranges close to $11.00/cwt to $14.00/cwt each time.

On October 1, October 2021 lean hogs made a high at $92.65/cwt and similar to the summer trading, after topping, the market began another decline. October lean hogs settled on the low for October at $88.20/cwt on October 14. The cash hog market in October tracked the CME lean hog index with cash above $93.00/cwt at the beginning of the month and dropping to the last trading day. The October 2021 lean hog chart is an excellent study on how a long bull market ends.

Lean Hog Futures - Weekly

Charts from QST

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

S&P 500 and NASDAQ futures advanced to new record highs. Recent strength was linked to mostly stronger than expected corporate quarterly earnings reports. Approximately 80% of S&P 500 companies that have reported results this season have topped analysts' earnings expectations. Futures advanced despite supply-chain problems, tight labor markets and news that the Federal Reserve approved plans to start scaling-back its bond-buying stimulus program. The Fed will reduce its bond purchases by $15 billion a month in November and by an additional $15 billion in December. In addition, it said similar reductions in the pace of net purchases "will likely be appropriate each month," though officials will be prepared to adjust that pace "if warranted by changes in the economic outlook." The Fed had been buying at least $120 billion a month in Treasury and mortgage securities.

Overall, the fundamentals remain supportive. Higher prices are likely for stock index futures.

S&P 500 Futures - Weekly

U.S. Dollar Index

The U.S. dollar index advanced to its highest level since July 2020 and is on course for a fifth weekly increase. Much of the strength is linked to bullish interest rate differential expectations and flight to quality flows of funds. In addition, there was support for the greenback due to the larger than estimated increase in the U.S. consumer price index, which showed a 0.9% increase on a monthly basis and 6.2% growth on an annualized basis. This puts pressure on the Federal Reserve to tighten credit conditions, which in turn, is bullish for the U.S. dollar.

Also, there was support for the greenback due to the on balance stronger than expected October employment data. October nonfarm payrolls increased 531,000 when a gain of 450,000 was expected. The unemployment rate was 4.6% when 4.7% was anticipated.

Expect follow-through gains for the U.S. dollar index futures.

Euro Currency

The euro currency has underperformed and made a new 16-month low after European Central Bank President Lagarde continued to push back against expectations of policy tightening in the euro zone. The ECB chief said it does not make sense to tighten policy, as inflation pressures in the euro zone are expected to fade.

Most economic reports have come in weaker than estimated. German business sentiment worsened again in October. The Ifo business-climate index decreased to 97.7 points in October from 98.9 points in September, according to data from the Ifo institute. This was the fourth consecutive decline in the indicator after it peaked at 101.8 in June. The reading was below a consensus forecast from economists who had estimated the index to decrease to 98.0.

It is likely that the euro currency will trend lower over the near term.

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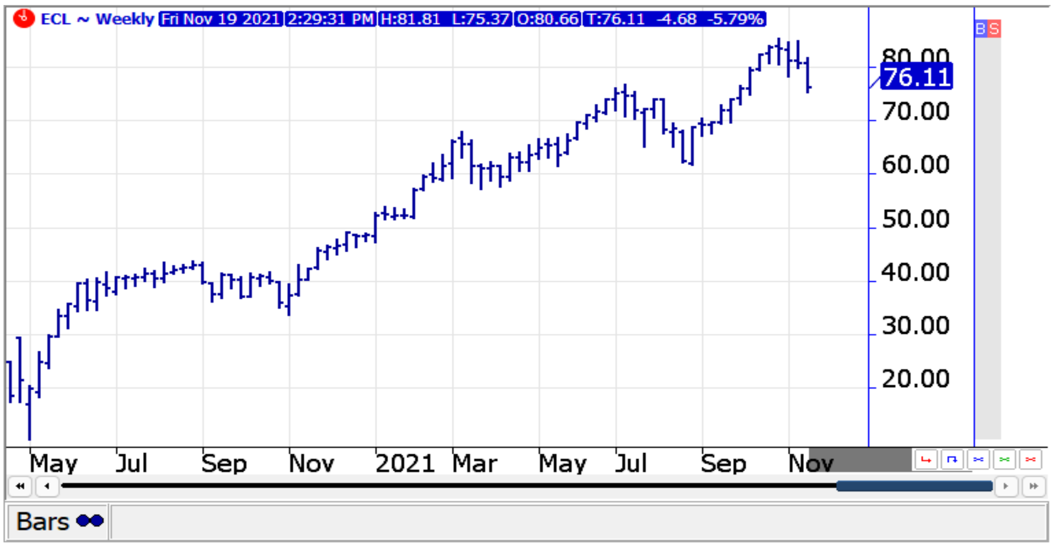
Crude Oil

U.S. crude dropped again on Friday, putting oil on pace for its fourth consecutive weekly decline. Prices are trading near their lowest levels in approximately seven weeks. Coronavirus demand fears are hitting sentiment again after Austria said it will begin a nationwide lockdown in response to surging Covid-19 cases. Parts of Germany will also have travel restrictions. The next major support for January 22 crude oil futures is 71.00.

Crude Oil Futures - Weekly



Gold

Gold futures prices have advanced since late September due to increasing inflation concerns. Some investors are using precious metals directly to hedge against rising inflation. Prices have advanced despite the strength in the U.S. dollar, which should be viewed a sign of strength for the yellow metal.

Price gains slowed when the Federal Open Market Committee announced a timeframe for a tapering of its $120 billion a month asset-purchase program at its November 3 policy meeting.

I anticipate central banks may be less hawkish than many analysts expect next year, which is long-term supportive to the price of gold.

Gold Futures - Weekly

Charts from QST

Support and Resistance

Grains

December 21 Corn

Support 5.40 Resistance 6.00

January 22 Soybeans

Support 12.00 Resistance 13.00

December 21 Chicago Wheat

Support 8.00 Resistance 9.00

Livestock

December 21 Live Cattle

Support 125.00 Resistance 137.50

December 21 Lean Hogs

Support 65.50 Resistance 80.25

Stock Index

December 21 S&P 500

Support	4630.00	Resistance	4775.00

December 21 NASDAQ

Support	16500.00	Resistance	16820.00

Energy

January 22 Crude Oil

Support	71.00	Resistance	80.70

January 22 Natural Gas

Support	4.600	Resistance	5.500

Metals

December 21 Gold

Support	1803.0	Resistance	1880.0

December 21 Silver

Support	24.00	Resistance	26.10

January 22 Copper

Support	4.1800	Resistance	4.4800

Currencies

December 21 U.S. Dollar Index

Support	95.200	Resistance	96.800

December 21 Euro Currency

Support	1.11800	Resistance	1.14550

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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 ***19 November 2021****. 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 record high industrial inflation rates caused by soaring commodity prices. Australia changed its yield target for government bonds and New Zealand posted a higher-than-expected inflation rate, which could lead to further increases in interest rates.

China

In October, China's manufacturing activities rebounded to expansion, suggested by the CAIXIN China manufacturing PMI, which came in at 50.6, 0.6 percentage points higher than last month's 50.0, thanks to improved domestic demand. Data released indicated strong demand and less supply. The new orders index rose to a four-month high within expansion. However, weak production directly affected factories' hiring. The employment index stayed in contraction for the third consecutive month. The purchase price index rose sharply to the highest point since 2017 and has been expanding for 17 months, suggesting rising raw material prices, energy prices and freight rates have jointly pushed up manufacturing costs. The official PMI dropped 0.4 percentage points to 49.2, the lowest reading since 2020.

China's industrial inflation rate marked a record high in October, while consumer inflation remained moderate. The PPI rose 13.5% compared to last year, due to rising energy prices, especially skyrocketing coal prices, which generally doubled compared to last year. As the Chinese government announced measures to increase coal production in late October, coal prices have dramatically fallen since then. Therefore, the PPI is expected to ease in coming months. In the meantime, due to the resurgence of COVID-19 cases in several cities, which suppressed domestic demand, the CPI rose 1.5% year-on-year. As the scissors difference between the CPI and the PPI reached a peak, it is worthwhile to pay more attention to the transmission of inflation from the industrial side to the consumer side.

Custom data showed that China's exports in dollar-denominated terms jumped 27.1% year-on-year in October, beating market forecasts again. Imports increased 20.6% year-on-year. The trade surplus for October reached $84.56 billion. In the first 10 months of this year, China's exports increased 32.3% compared to a year earlier. As western countries enter the holiday season, when overseas demand is generally strong, prospects of China's exports in the rest of 2021 remain optimistic. However, next year consumption might gradually decline due to ebbing fiscal subsidies, and tightening monetary policy, which could lead to a slowdown of China's export growth.

China's soybean imports declined 41.2% year-on-year to 5.11 million tons in October, the lowest level since 2014. On a monthly basis, imports were down by 25.7%. The drop was mostly attributed to the weak demand due to dismal crushing margins. In the first 10 months, China imported 79.08 million tons of soybeans, down 5.0% from a year earlier. In the beginning of 2021, crushing plants increased soybean purchases due to recovering hog herds. But after the supply of live pigs exceeded demand and pork prices plunged, soymeal demand was adversely affected.

Other Asian Countries

The au Jibun Bank Japan Manufacturing PMI for October stood at 53.2, higher than 51.5 from a month earlier. This was the ninth consecutive month of expansion in the manufacturing sector and the strongest pace since April, amid a reduction in COVID-19 cases and easing restrictions across the country. Both output and new orders reversed the declines recorded in September. Employment continued to increase at a slightly faster pace than last month. In the meantime, Japan's producer prices rose by 8.0% in October, the most since January 1981, amid surging commodity prices. Costs surged further for petroleum products, coal, steel, chemicals and non-ferrous metals. Exports rose by 9.4% year-to-year, the weakest increases in eight months, ending double-digit growth in the previous seven months, amid softening global demand and persistent supply chain bottlenecks.

The IHS Markit South Korea Manufacturing PMI declined to 50.2 in October from 52.4 in September, the lowest reading in 13 months, as the economy learned to live with COVID-19. Output fell for the second month and employment shrank for the first time since February. Meanwhile, input cost inflation accelerated, due to a sharp rise in prices of raw materials. Also output inflation quickened to a three-month high. The consumer inflation rate increased to 3.2% in October from 2.5% in the previous month, the highest reading since January of 2012 amid upward pressure coming from fresh food and industrial products, utilities and livestock. South Korea's exports increased by 24.07% year-to-year in October to $55.55 billion, which was the twelfth straight month of expansion in overseas sales extending their double-digit growth for the eight month in row.

The Reserve Bank of Australia scrapped the 0.1% yield target on April government bonds during its November meeting and omitted its prior projection that interest rates were unlikely to rise until 2024. At the same time, policymakers kept the cash rate unchanged at a record low of 0.1% for the twelfth month in a row while continuing to buy government bonds at a pace of A$4 billion a week until at least mid-February 2022. The RBA noted the decision to end the yield target reflects the economic improvement and the earlier-than-expected progress over the inflation target.

New Zealand's unemployment rate decreased to an all-time low of 3.4% in the third quarter of 2021. In meantime, New Zealand's CPI increased 4.9% year-on-year, the highest reading in 10 years and was substantially higher than the inflation target of 1.0%-3.0%% set by the Reserve Bank of New Zealand, increasing the possibility of further interest rate hikes. New Zealand's border closure led to a sharp shortage of labor and wage hikes and intensified the inflationary pressures that prompted the central bank to raise interest rates. Auckland, New Zealand's largest city, has been under lockdown since mid-August, inhibiting economic growth.

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