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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 **October 14, 2020.** This report is intended to be informative and does not guarantee price direction.*

Corn futures rallied from the recent lows to near 3.60 to 3.98. Drier than normal South America weather and increased China buying offered support. The USDA estimated the U.S. 2020 corn crop will be near 14,722 million bushels. This was slightly below the average trade guess and down from its August guess. The USDA estimated the U.S. 2020/21 corn carryout to be 2.167 million bushels and near the average trade guess, but also was down from August. Managed funds increased their buying. U.S. farmers have been reluctant sellers of new crop. The USDA lowered its estimate of the world 2020/21 corn carryout to 300.4 mmt due to the lower U.S. crop.

The USDA estimated the U.S. 2020 soybean crop to be near 4.268 million bushels and lowered the U.S. 2020/21 soybean carryout to 290 million bushels. This was bullish and prices rallied on continued China buying of U.S. soybeans. Managed funds increased their net long soybean, soyoil and soymeal positions. U.S. farmers have been rewarded by the recent rally in prices with increased cash sales. Some feel soybean prices could trend more in a range once China stops buying U.S. soybeans. The USDA increased its estimate of China's 2020/21 soybean imports at 100.0 mmt versus 97.4 last year. Soybean futures have rallied from 9.85 to 10.80.

In October, the USDA increased the world 2020/21 wheat crop to be near to 773 mmt. Most of the increase was in Russia. The USDA increased the world 2020/21 wheat carryout to be near 321 mmt versus 299 last year. Managed funds are net long wheat futures. French and CME Black Sea wheat futures rallied on talk of dry weather in Russia and in the U.S. southern plains.

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Corn Futures - Weekly

Chart from QST

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

*The following report is an overview as of **October 16, 2020** and is intended to be informative and does not guarantee price direction.*

Live Cattle

September is often a month when live cattle futures and cash cattle prices move sideways or turn lower. The last big beef event, Labor Day is over, and grills go into the garage, consumers are paying off summer vacation credit cards and there is money spent on school supplies and tuitions. Beef purchases go from steaks on the grill to ground beef casseroles. However, September 2020 was different. After a brief downturn in the last half of August, cattle futures made a low on September 1, 2020 at $111.02/cwt on the October 2020 live cattle futures and then proceeded to move up to $116.62/cwt on September 29.

September 2020 was about cattle demand and cattle processor profits. Packer profit margins were excellent in September. Throughout September it was estimated that packer profit margins were from $400.00 to $450.00 per head. At the same time with the addition of working longer Saturday hours, the weekly slaughter was nearly the same as the number of head slaughtered before the plant closures and slowdowns of March and April. There was also the benefit of seeing exports improve and traders were encouraged that China was becoming a regular buyer.

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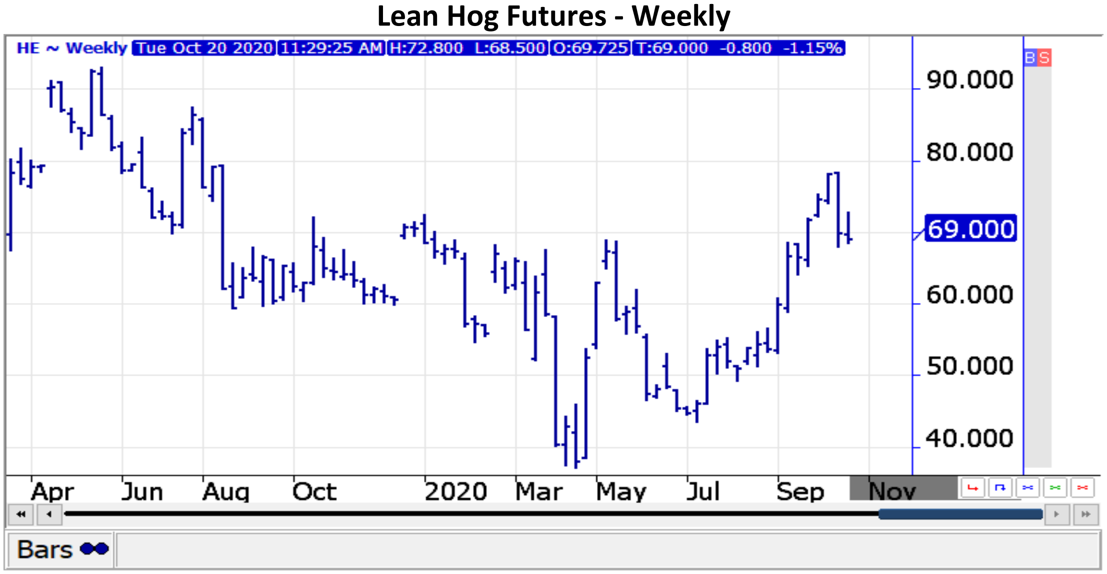
Live Cattle Futures - Weekly

Lean Hogs

Hog producers had a month of profitable feeding margins in September 2020. On August 31, the October 2020 lean hog contract settled at $53.17/cwt and finished out the month on September 30 at $72.80/cwt, gaining $19.62/cwt. The demand for hogs was a continuation that began on June 29, moved higher throughout the summer into September. By month end, the federal USDA hog slaughter for 2020 was 1.4% above the same period of 2019. The major strength in the pork market came from strong exports from China and the solid consistent buying from Mexico. Hog futures also gained on news that African Swine Fever was found in wild feral hogs in Germany. Although the hogs were not in commercial German herds, China cancelled exports from Germany and the cancellations gave U.S. hog futures a boost with expectations China would increase buying of U.S. pork.

Lean Hog Futures - Weekly



Charts provided by 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

*The following report is an overview as of **October 20, 2020** and is intended to be informative and does not guarantee price direction.*

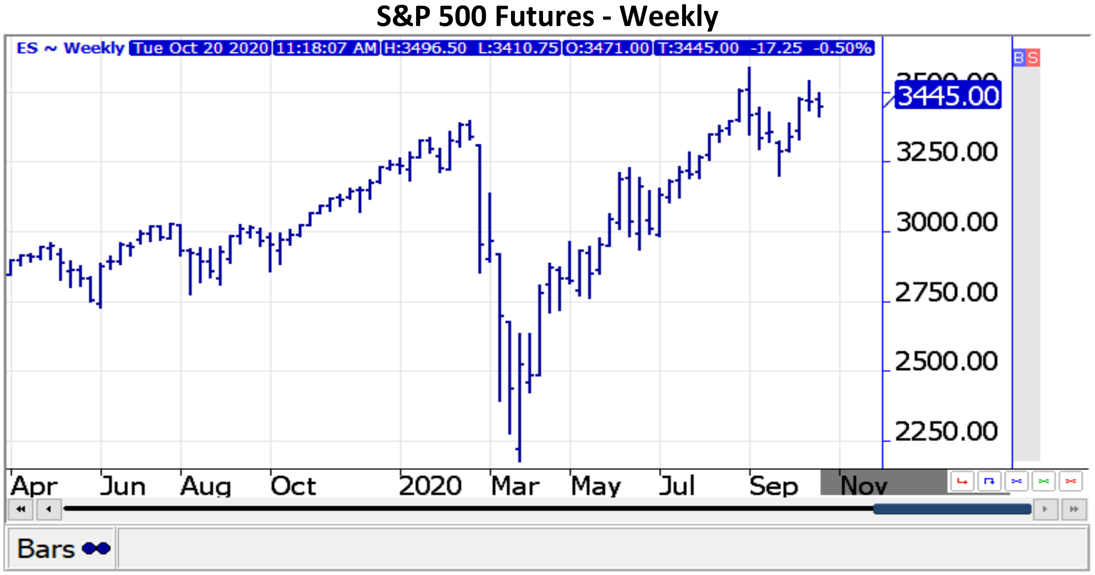
Stock Index Futures

S&P 500 and NASDAQ futures advance to new record highs in early September before prices set back later in the month. However, in recent days there has been a trend of higher prices due to a flurry of merger and acquisition activity in the tech sector, 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." S&P 500 futures recently hit their highest level since September 4. Economic reports have come in mostly stronger than analysts predicted. For example, U.S. home sales surged to their highest level in almost 14 years in August, as the housing market continued to outperform the broader economy. The National Association of Realtors said existing home sales increased 2.4% to a seasonally adjusted annual rate of 6 million units last month, which is the highest level since December 2006.

In addition, the National Federation of Independent Business optimism index increased 3.8 points to 104.0 in September, which is the highest level since February. The median estimate was 100.9. The NFIB is a monthly assessment of small businesses in the U.S., which account for almost half of the private sector jobs.

Stock index futures have recently performed well on the news, and the technical situation has improved.

S&P 500 Futures - Weekly



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U.S. Dollar Index

The U.S. dollar advanced to a three-week high, but then fell to the lowest level since September 22, as flight to quality longs were liquidated. Investors' risk appetite increased due to hopes of further stimulus in the U.S. after the White House signaled it is open to negotiations on a large stimulus deal.

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, there was news that German manufacturing orders increased for the fourth consecutive month in August. Manufacturing orders rose 4.5% in August when economists had expected August orders to grow at a rate of 2.5% on the month.

Gains in the euro were limited by the belief that the European Central will ramp up its monetary stimulus by December, especially after Federal Reserve Chairman Jerome Powell signaled that he is willing to allow inflation to run hotter than usual. This major shift in policy suggests the U.S. central bank will keep interest rates low for years, which puts pressure on the ECB to follow suit.

Overall, though, interest rate differential expectations remain supportive to the euro currency. The euro currency is likely to trend higher longer term.

Crude Oil

Crude oil futures advanced almost $5 from the low that was registered at the beginning of the month, although investors remain concerned over fuel demand recovery. Supporting futures were hopes that U.S. lawmakers can still reach a fiscal stimulus deal. Meanwhile, the OPEC's Joint Ministerial Monitoring Committee made no mention of any changes to a plan to further ease oil output cuts from January, but it did pledge to support the market. For now, OPEC+ is sticking with a deal to curb output by 7.7 million bpd through December. The Energy Information Administration last week reported a larger-than-forecast, 3.8M-bbl drop, and a 500k bpd drop in U.S. crude oil production to 10.5M bpd.

Any additional, significant gains might be difficult before the U.S. presidential elections. However, the technical aspects suggest crude oil prices will trend higher longer term.

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Crude Oil Futures - Weekly

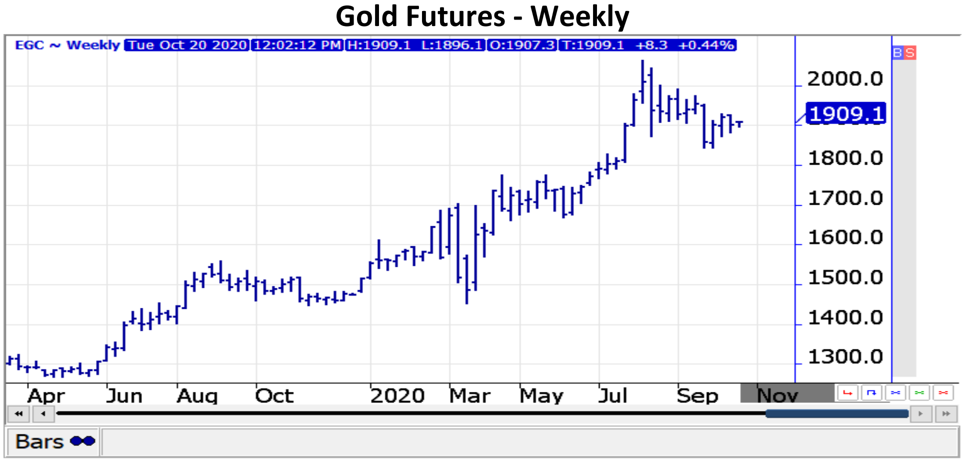
Gold

In recent weeks gold futures have trended sideways as it remains uncertain if Washington can reach an agreement on a stimulus package ahead of the presidential election. Stimulus adds liquidity to financial markets that can drive up the price of assets including gold, and in so doing, also increases expected inflation, which also boosts the appeal of gold, which traditionally is seen as an inflation hedge.

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



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Support and Resistance

Grains

December 20 Corn

Support	3.70	Resistance	4.10

November 20 Soybeans

Support	10.00	Resistance	10.80

December 20 Chicago Wheat

Support	6.00	Resistance	6.50

Livestock

December 20 Live Cattle

Support	107.50	Resistance	114.75

December 20 Lean Hogs

Support	62.87	Resistance	73.87

Stock Index

December 20 S&P 500

Support	3400.00	Resistance	3576.00

December 20 NASDAQ

Support	11505.00	Resistance	12445.00

Energy

December 20 Crude Oil

Support	38.00	Resistance	43.30

December 20 Natural Gas

Support	3.130	Resistance	3.400

Metals

December 20 Gold

Support	1890.0	Resistance	1980.00

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December 20 Silver

Support	23.500	Resistance	26.850

December 20 Copper

Support	3.0400	Resistance	3.25000

<u>Currencies</u>

December 20 U.S. Dollar Index

Support	91.700	Resistance	93.800

December 20 Euro Currency

Support	1.17600	Resistance	1.19800

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 **20 October 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 recording positive year-to-year growth for the first three quarters, although the third quarter's growth missed the forecast. In addition, the PMI also remained above 50 implying the growth trend is still in place. The Asian economy showed some improvement, while the Reserve Bank of New Zealand is considering negative interest rates, which pressured the New Zealand dollar.

China

The CAIXIN China manufacturing PMI for September 2020 came in at 53.0, which is slightly lower from last month's 53.1, but still indicating a continuous improvement in the manufacturing industry. Output has been expanding for seven consecutive months. Production slightly dropped within the expansion area but remained solid. Surveyed factories stated that demand significantly picked up and led to an increase in new orders, which reached the highest level since

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February 2011. New export orders also bounced to the best performance since September 2017 and caused backlogs to climb. The employment index ended its 8-month long contraction, with a slim expansion. Manufacturers expressed optimism over the business prospects for next 12 months on the belief that the market situation and customer demand will further recover. The official manufacturing PMI for September stood at 51.5, which is better than in August.

China's inflation rate eased in September as food prices, especially pork prices, stabilized. The consumer price index increased 1.7% from last year and is expected to hover around 1.0% in the fourth quarter. High pork prices led to increased hog breeding stocks and ampler pork supply. On a monthly basis, pork prices dropped 1.6% compared to a 1.2% increase in August. The PPI fell 2.1% year-on-year, versus a 2.0% drop last month. On monthly basis, the indicator increased 0.1%. The sluggish performance in industrial inflation was partially attributed to subdued crude oil prices, which saw a considerable decline in recent months.

As the economies of more countries showed improvement, recovering external demand boosted China's exports sector. In September, China's exports in dollar-denominated terms grew 9.9% from last year to $239.7 billion. Imports increased 13.2% year-on-year to $202.7 billion after contracting in July and August. Despite the tension between China and the U.S., exports to the U.S. rose 21% from last year. Leading products for exports are textiles, which grew 33% year-on-year, followed by medical equipment and electrical devices.

Thanks to increasing demand from the hog industry, China's soybean demand saw strong growth. In September, China imported 9.77 million tons of soybeans. In the first nine months, soybean imports amounted to 74.5 million tons, up by 15.5% from last year. As Brazil supply runs lower, buyers turned to America. As of October 1, 2020, total sales of American soybeans to China, including shipped and unshipped, reached 22.10 million tons, up by 361.5% compared to last year. To accommodate the appetite of the strongly growing pig industry, triggered by soaring pork prices recently, China has given permission to import Argentina soymeal, the first time over the past 20 years.

Other Asian Countries

Japan's manufacturing PMI in July rose to 47.7 from 47.2, while the service PMI in July rose to 46.90 from 45.0. Although both PMIs were still in the contraction zone, Japan's government raised its economic assessment for the first time in 15 months, saying downward movements are coming to a halt. Bank of Japan governor, Haruhiko Kuroda was convinced that the economy escaped the worst situation. However, more monetary easing may be necessary.

South Korea's consumer price inflation rose to 1.0% in September 2020 from 0.7% in the previous month. The expectation was for a 0.7% increase. The Bank of Korea decided to keep its key interest rate unchanged. The BoK remains concerned about the fast growth of household debt as asset markets could become unstable due to excessive household loans. In addition, the PMI rose to 49.8 from 48.5 in August, the highest recorded since January, but remained in the contraction zone.

The Reserve Bank of Australia decided to keep its key interest rate unchanged at 0.25%. The RBA was convinced that the national economy may need more time to return to its end 2019 level.

The government bond market is stable and well-functioning, and the Australian economy is well supported by the substantial easing of fiscal policy. However, the International Monetary Fund believed that high levels of unemployment and government debt slowed down the recovery of the Australian economy.

New Zealand suffered from the worst economic recession since the Great Depression in the second quarter due to a strict nationwide lockdown. Its GDP plunged 12.2% in the second quarter. The Reserve Bank of New Zealand indicated that it is considering negative interest rates to put downward pressure on the New Zealand dollar.