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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 **July 14, 2021.** This report is intended to be informative and does not guarantee price direction.*

The USDA WOB July report was neutral for corn and soybeans, but bullish for U.S. spring wheat prices. After the July USDA report, soybean, corn and wheat futures will focus on U.S. summer weather. September soybeans are trading near 13.80. Key resistance is from 14.00 to 14.50. September Chicago wheat is trading near 6.50 with resistance from 6.60 to 6.80 and September corn is trading near 5.60 with key resistance near 5.80. September soymeal is near 365 with resistance near 380. The upper west Midwest two-week weather forecast is hot and dry. This is also true for Canada and the U.S. Pacific northwest.

In July, the USDA lowered the U.S. 2020/21 corn carryout to 1,082 mil bu. The USDA estimated the U.S. 2021/22 corn carryout to be near 1,432. Most analysts believe total demand will increase and could take 400 mil bu off the 2021/22 carryout. The USDA left China's corn imports at 26.0 mmt. The USDA lowered Brazil's corn crop estimate to 93.0 mmt from 98.5 last month. Some analysts estimate the crop now will be below 87 mmt. Most analysts feel corn futures could see increased price volatility going into the end of the 2020/21 market year. The three most commonly watched U.S. 8-14 days weather maps call for above normal temperatures and below normal rains west and normal weather east.

In July, the USDA left the U.S. 2020/21 soybean carryout at 135 mil bu. The USDA left Brazil's soybean crop at 137.0 mmt and lowered the Argentina crop to 46.5. The USDA lowered China's soybean imports at 98.0 mmt and also lowered China's 2021/22 imports to 102 mmt. Concerns about Canada's canola crop rallied world canola oil prices which supported U.S. soyoil futures. Concerns about China's demand and lower Argentina prices continue to offer resistance to soymeal prices.

In July, the USDA lowered the U.S. 2021/22 wheat carryout to 665 mil bu vs 770 mil bu. The USDA estimates the U.S. 2021 wheat crop to be near 1,746 mil bu vs 1,898 last month and 1,826 last year. Dry U.S. northern plains and Russia's HRS crop areas could see lower crops there and offer support to HRS prices.

Corn Futures - Weekly

Charts from QST

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

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Live Cattle

Demand for cattle and for boxed beef moved in opposite directions in June. June 2021 live cattle on June 1 closed at the lowest price of the month at $113.35/cwt with a daily low of $111.47/cwt and then began to move higher throughout the month climbing to $124.22/cwt on May 22 with the highest price at $123.10/cwt to settle and out the month at $122.50/cwt.

While cattle prices moved higher, boxed beef prices trended lower. Choice boxed beef started out June at $339.88/cwt with strong demand for the most expensive primal cuts, loin and rib sections, and by month-end, choice boxed beef had dropped to $292.80/cwt with choice primal loin and rib sections pulling down the cutout.

Demand for beef dropped through the month as grocery retailers finished filling purchases ahead of the July 4 holiday. As previously contracted beef and daily beef sales supplied retailers needs ahead of the July 4 holiday, consumers reduced demand for high cost beef that began in early spring of 2021 and culminated around July 4. Consumers had pent up demand and the desire to celebrate in the spring and early summer after nearly a year of imposed isolation and saving money. Many consumers were able to celebrate in groups and many that didn't need government payments used funds to splurge on expensive beef cuts.

Live Cattle Futures - Weekly

Lean Hogs

June lean hog trading continued with the meteoric rally that began a year ago June 2020. For June 2021 lean hogs the low was $116.15/cwt on June 1, and June lean hogs rallied to the last trading day on June 14 on a contract high at $122.77/cwt. But that is only part of the picture for the month of June.

The week before June 2021 lean hogs went off the board, lean hog contracts preceding June were topping. July 2021 lean hogs topped on June 8 at $123.60 and had dropped to $117.67 by June 14. By the end of the month, July 2021 lean hogs were down to $99.75 and closed the month at $104.95/cwt.

Lean hogs rallied at the beginning of June as the CME pork index moved up from $125.74/cwt to mid-June at $136.20/cwt but reversed into the end of June at $110.46.

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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 in July due to vaccine and fiscal stimulus optimism, along with better than expected quarterly corporate earnings results. In addition, the bulls were encouraged when Federal Reserve Chairman Jerome Powell told members of Congress that inflation will moderate and that the central bank plans to maintain its current ultra-low interest rate policies.

Fed Chair Powell's remarks at his semiannual monetary policy testimony repeatedly referenced the Monetary Policy Report to Congress that was released on Friday, July 9. Mr. Powell indicated the U.S. economy is recovering and that the recovery is to continue. Powell said the Fed continues to view current extremely easy monetary policy as appropriate, and will continue to be so as meeting the dual mandate of maximum employment and price stability is "still a ways off."

There was temporary pressure on futures recently due to the realization that global economic growth may be slowing and when the larger than expected consumer price and producer price indexes were reported.

On balance the fundamentals remain supportive for stock index futures.

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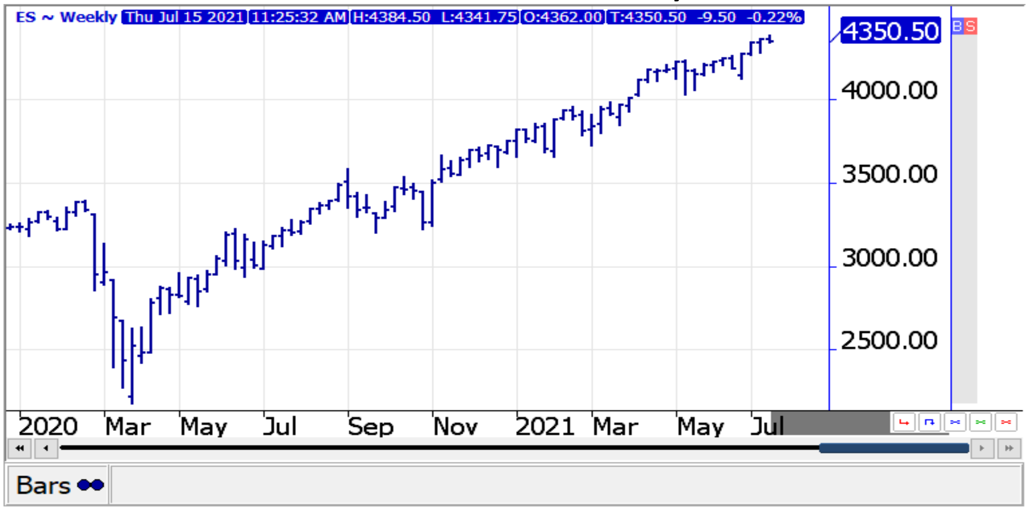
S&P 500 Futures - Weekly



U.S. Dollar Index

Flight to quality buying came into the U.S. dollar in light of concerns about the state of the global economic recovery. There was temporary pressure on the greenback when the U.S. employment numbers were released, which were on balance weaker than expected. Although the headline nonfarm payrolls number and private payrolls were stronger than expected most of the other data was on the weaker side. Nonfarm payrolls in June increased 850,000 when a gain of 703,000 was expected and private payrolls were up 662,000, which compares to the anticipated increase of 600,000.

However, manufacturing payrolls increased 15,000 when up 23,000 was predicted. The unemployment rate was 5.9% when 5.6% was estimated. Hourly earnings were up 0.3% when up 0.4% was expected and the labor participation rate was 61.6% when 61.7% was anticipated.

In spite of recent gains, bearish sentiment remains due to the belief that an increase in fiscal spending in the U.S. would raise the budget and current account deficits. In addition, there is the expanding Fed's balance sheet.

Euro Currency

The euro currency peaked in late May and has since traded sideways to lower.

There were only temporary gains for the euro on news that wholesale prices in Germany increased 10.7% year-on-year in June of 2021, which was the biggest increase since October 1981. Euro zone retail sales were down 3.1% from a month earlier in April, following an upwardly revised 3.3% growth in March and compared with market expectations of a 1.2% decline.

The European Central Bank announced a new monetary policy strategy in its first strategy review since 2003. European Central Bank President Christine Lagarde said the ECB's monetary policy meeting on July 22 will be an important meeting, as the central bank will communicate differently, in a more concise way, and will review its forward guidance to align with a new strategy. Lagarde also said the ECB will continue to support the economy, and now it's not the right time to talk about an exit strategy.

The ECB indicated it could allow inflation to overshoot when it formally stated that its mission to keep inflation at 2.0% in the euro zone should be understood as a "symmetric" goal over the medium term. This suggests the central bank could let prices rise more than the target if they have undershot for some time.

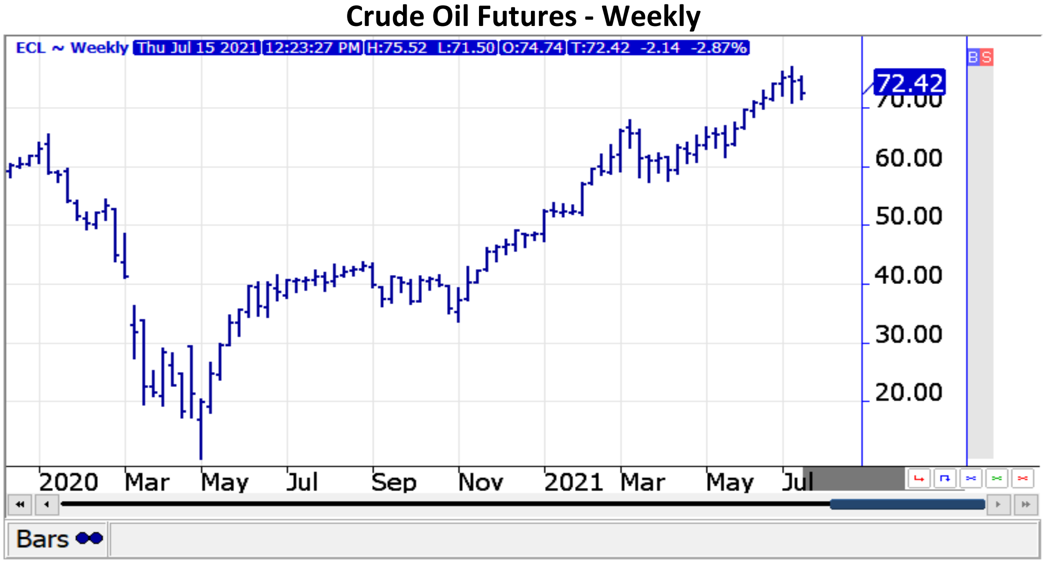
Crude Oil

Crude oil prices trended higher in April until early July. Much of the price gains were linked to prospects of an improving global economy. However, there was some pressure more recently due to reports that OPEC reached a compromise with the United Arab Emirates, agreeing to increase the amount of oil the cartel member can eventually pump as part of a wider agreement with Russian-led producers to increase global supplies.

Earlier this month, the Organization of the Petroleum Exporting Countries agreed with a Russian-led group of producers to increase production to meet increasing demand and tame climbing prices.

A major up trendline has been recently broken suggesting futures may drift lower over the near term.

Crude Oil Futures - Weekly



Gold

Gold prices advanced when Federal Reserve Chairman Jerome Powell said inflation remains a transitory phenomenon. The Fed chairman doubled down on his message that inflation was being caused by supply bottlenecks that should ease in time. The bulls have been encouraged by the Federal Reserve, which indicated it doesn't plan to pull back on supportive policies in the near term, which dampened any expectations that the Fed might exit from its zero interest rate policy earlier in response to the sharp rise in inflation.

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Global central banks are likely to be slow to remove accommodation, which will be a tailwind for the price of gold. Follow-through strength is likely for gold futures.

Gold Futures - Weekly

Charts from QST

Support and Resistance

Grains

September 21 Corn
Support 5.50 Resistance 5.80

September 21 Soybeans
Support 13.50 Resistance 14.50

September 21 Chicago Wheat
Support 6.40 Resistance 6.80

Livestock

August 21 Live Cattle
Support 116.50 Resistance 127.50

August 21 Lean Hogs
Support 95.00 Resistance 112.00

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Stock Index

September 21 S&P 500

Support	4285.00	Resistance	4400.00

September 21 NASDAQ

Support	14560.00	Resistance	15000.00

Energy

September 21 Crude Oil

Support	68.40	Resistance	75.00

September 21 Natural Gas

Support	3.530	Resistance	3.780

Metals

August 21 Gold

Support	1788.0	Resistance	1850.0

September 21 Silver

Support	25.75	Resistance	27.30

September 21 Copper

Support	4.1500	Resistance	4.4200

Currencies

September 21 U.S. Dollar Index

Support	91.800	Resistance	93.200

September 21 Euro Currency

Support	1.17600	Resistance	1.19000

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 **14 July 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's strong performance in foreign trade and the ending of quantitative easing in New Zealand. China's exports jumped 32.2% year-over-year and the New Zealand central bank reduced its bond purchasing on July 14.

China

The CAIXIN China manufacturing PMI slipped 0.7 percentage points from last month's 52.0 to 51.3 in June, marking a three-month low. Both supply and demand slowed. The production index dropped to the lowest level since April 2020, while new orders recorded a three-month low and new export orders barely stayed in expansion. Manufacturing enterprises increased hiring for the third month in a row as backlogs of work climbed for the fourth consecutive month. Average input costs eased in June, but were still significant, since prices of production materials, such as metals and fuels rose. The official manufacturing PMI edged down 0.1 percentage point to 50.9 from last month's 51.0.

China's consumer inflation rate in June declined 0.2 percentage points from May to 1.1%, thanks to falling pork prices, which dropped 36.5% from a year earlier and drove the CPI down by 0.8 percentage points. On a monthly basis, the CPI fell 0.4%. As pork prices are expected to stabilize now that the government starts to purchase pork for the national reserve, the CPI is projected to stop falling and stabilize in coming months. On the industrial side, the PPI rose 8.8% year-on-year, 0.2 percentage points lower than last month's 9.0%, indicating a slower increase in industrial product prices. As the Chinese government took measures to curb speculation in commodities, some of them, such as steel and other metals, have peaked and started falling, which eased price pressures on industrial producers.

China's foreign trade continued to advance in June. Exports in dollar-denominated terms increased 32.2% from a year earlier, while imports grew 36.7% year-on-year, both beating market expectations, thanks to strong global demand. The better-than-expected performance resulted in a trade surplus of $51.53 billion for China. In the first six months of this year, China's exports rose 37.4% from last year, and imports went up by 38.6%. The trade surplus reached $251.5 billion. China's foreign trade growth might slow in the second half of 2021, due to a higher comparative basis from last year.

China's speedy recovery of hog inventories prompted increased soymeal demand, which caused soybean imports to increase. In June, China's soybean imports increased 11.6% from last month to 10.7 million tons. In the first half of 2021, China imported 48.96 million tons of soybeans, up by 8.7% compared to last year. In April, the Ministry of Agriculture and Rural Affairs suggested that China's hog inventory is estimated to exceed 440 million in the second half of 2021. But shrinking crush margins might put pressure on soybean demand in the months to come. Meanwhile, China's appetite for corn continued to climb. In the first six months of this year, China's corn imports surged 318.5% year-on-year to 15.3 million tons.

Other Asian Countries

In June, Japan's manufacturing sector expanded at the slowest pace in four months, as output took a hit from a global shortage of chips which reduced factory output. The final au Jibun Bank Japan manufacturing PMI in June slipped to 52.4 on a seasonally adjusted basis from last month's 53.0. Ongoing supply chain disruptions slowed expansion in both production and new orders and induced sharp increases in prices of raw materials. However, hoping conditions will improve over the long term, surveyed manufacturers' optimism for the year ahead reached a record high. On June 29, the Bank of Japan trimmed the amount of government bonds it will purchase in Q3 and shifted its announcement to a quarterly schedule. Analysts are speculating that Japan might be planning to tighten monetary policy.

South Korea's exports in June beat market expectations by increasing 39.7% from a year earlier, according to the trade ministry. Semiconductor shipments rose 34.4% year-over-year, while cars and petrochemical products surged 62.5% and 68.5% respectively. Last month, South Korea's exports recorded the largest increase of 45.6% since August 1988. South Korea's government expects exports will rise 18.5% this year, helping the economy to expand 4.2%. Factory activities also expanded for its ninth month, thanks to robust global demand. A PMI edged up to 53.9 from 53.7 in May, indicating the health of the manufacturing sector continued to improve.

Australia's central bank decided to leave its interest rate at a record low of 0.1% and stated it was likely to remain there until 2024. Meanwhile, it announced a third round of its quantitative easing program would be smaller than the previous two rounds as the economy transitions from the recovery phase to the expansion phase. The Reserve Bank of Australia will continue purchasing government bonds at a weekly pace of A$4.0 billion after the September deadline, rather than the current 5.0 billion Australian dollars. Monetary stimulus and fiscal support boosted Australia's economy back to its pre-pandemic level.

Amid worries of global inflation, on July 14 2021, the Reserve Bank of New Zealand decided to keep its official cash rate at 0.25% but announced a reduction in its pandemic-induced quantitative easing program, prompting analysts to expect a rate hike as early as August, which will make New Zealand at the forefront of countries reducing accommodation. The Monetary Policy Committee of the RBNZ stated that the major downside risks of deflation and high unemployment have receded and the significant level of monetary support since mid-2020 could be reduced sooner.

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

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