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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 **December 15, 2021.** This report is intended to be informative and does not guarantee price direction.*

The USDA's December report was neutral for corn, positive for soybeans and negative wheat prices. After the December USDA report, March soybean futures traded mostly sideways between 12.50 and 12.85. March corn rallied from 5.82 to 5.94. Chicago March wheat futures traded from 7.96 to a low near 7.68. March soymeal traded from 352 to near 378. March soyoil traded from 55.88 down to 51.55 due to lower energy prices and a lower biofuel mandate.

Grain prices are adjusting to higher food and fuel inflation. In December, the USDA left the U.S. 2021/22 corn carryout at 1,493. The USDA left ethanol, feed and export use unchanged. Consumers are not covered for 2022 needs. The key now is U.S. demand and South American weather.

In December, the USDA left the U.S. 2020/21 soybean carryout unchanged and near 340 mil bu. This was a surprise with some analysts closer to 450. March soybean futures could remain in a broad range between 12.25-13.25. The key will be consumer demand, especially China, and 2022 South American weather. Soyoil traded lower on concerns over a of lack of new green fuel demand and lower Asian vegoil prices led by palm oil.

In December, the USDA increased the U.S. 2021/22 wheat carryout to 598 mil bu. The USDA dropped imports 5 mil bu and exports 20. The USDA raised the world 2021/22 wheat crop to 778. This was up 2.5 mmt with increases in E.U., Russia, Canada and Australia. Some feel the USDA could be 5-6 mmt under actual wheat imports. The key now is global demand and world 2022 weather. The wheat trade is concerned that the U.S. Federal Reserve may reduce stimulus, which could slow new food demand. The spread of the Omicron virus could also reduce food demand.

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

Live Cattle

Cattle producers in November found bargaining power for cash cattle, and traders added to long live cattle positions. Packers found increasing competition for cash cattle when boxed beef prices dropped. Live cattle futures topped at the beginning of September 2021 and fell throughout the month and bottomed October 1, moving slowly up during October gaining $4.07/cwt. On November 1, December live cattle settled at $128.25/cwt, which ended up being the low price for November and then began the move higher, closing out November at $135.87/cwt with a high on November 29 at $139.12/cwt. The cash cattle market for the month added $12.00/cwt to the price of steers.

As cattle prices moved higher, boxed beef prices fell. The cumulative choice boxed beef price on November 1 was $286.15/cwt. On November 15 it dropped to $283.05/cwt to begin a rapid acceleration to the downside. On November 30, the choice boxed beef cutout was down to $270.22/cwt.

Live Cattle Futures - Weekly

Lean Hogs

By November 2021 it was more than apparent that the high prices for hogs made during the summer of 2021 were long gone. The high closing price for December 2021 lean hogs was made on November 4 at $77.87/cwt and by November 29 the low was $72.40/cwt and settling on November 30 at $73.37/cwt. Even with U.S. federal slaughter year to date by the end of November down 2.1% compared to 2020, hog prices fell. Unlike 2020 when exports were strong with China increasing purchases to make up for the loss of pork because of African Swine Fever, during November 2021, Chinese export purchases were down year to date. U.S. pork exports were competing with increasing pork supplies in China and Brazil with record high exports to China.

The high price for the CME Pork Index on November 4 was $96.19/cwt. By the end of the month the CME Pork Index dropped to $85.69/cwt. Pork loins and fresh hams make up 53.0% of the carcass and are considered the best parts of the hog. Cash loin prices dropped from $96.82/cwt to $82.42/cwt and fresh ham prices went from $79.83/cwt to $65.18/cwt.

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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

The following report is an overview as of ***December 16, 2021*** *and is intended to be informative and does not guarantee price direction.*

Stock Index Futures

S&P 500 and NASDAQ futures advanced to record highs despite the more hawkish Federal Open Market Committee. At its December 15 policy meeting the FOMC announced an accelerated rate of tapering of its asset-purchase plan and a more aggressive schedule of interest rate hikes in 2022.

The Fed will be buying $60 billion of bonds each month starting in January, which is half the level prior to the November taper and $30 billion less than it had been buying in December. Federal Reserve officials see as many as three fed funds rate hikes in 2022 with two in the following year and two more in 2024.

Oddly, stock index futures were able to trade sharply higher in spite of the more hawkish than expected FOMC. A market rule of thumb comes into play here. Anytime any market ignores bearish news and trades higher, it should be viewed as a sign of longer-term strength.

Higher prices are likely for stock index futures.

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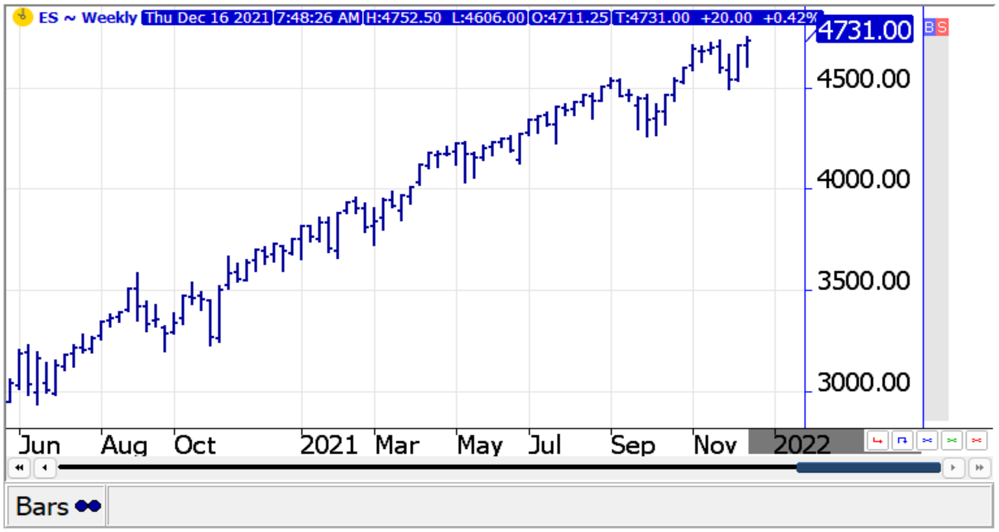
S&P 500 Futures - Weekly



U.S. Dollar Index

In November the U.S. dollar index advanced to its highest level since July 2020. Much of this strength was linked to bullish interest rate differential expectations. However, more recently the greenback traded sideways and talk of a more hawkish Federal Reserve did little to support the U.S. dollar. Even after the surprisingly hawkish December 15 FOMC statement the U.S. dollar could not hold initial gains and closed lower on the day.

This is an indication that the tighter credit policies from the Fed are currently factored into exchange rates. Expect a sideways trade for the greenback.

Euro Currency

The euro currency made a low in the third week of November and has since traded sideways. There were limited gains when on December 16 the European Central Bank announced a reduction in the pace of its asset purchases over the coming quarter.

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.

The euro currency declined despite news that the euro area economy expanded by 2.2% on the quarter in the three months to September, following downwardly revised 2.1% growth in the previous period.

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

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Crude Oil

Indications of a slower rate of growth in the global economy and virus fears put pressure on futures in November. There was some recovery in December. Concerns that supply growth will outstrip demand growth next year still weighed on prices. In addition, the International Energy Agency said that a surge in the virus will dent global demand at a time when crude output is expected to increase.

Recent gains were linked to data from the EIA, which showed crude oil stockpiles in the U.S. dropped by 4.584 million barrels last week, which is the third consecutive period of declines and compared with market forecasts of a 2.082 million decline.

Crude oil prices are likely to trend lower over the near term.

Crude Oil Futures - Weekly

Gold

Gold futures prices topped in mid-November. Since then the bullish influence of rising inflation levels has been outweighed by the bearish influence of an increasingly more hawkish Federal Reserve. Now that the bearish December 15 FOMC statement is out of the way, an oversold gold market now has room to recover.

Expect higher prices for gold in what is likely to be a “sell the rumor and buy the news” situation regarding the FOMC’s newly ramped-up hawkish policy stance.

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

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Gold Futures - Weekly

Charts provided by QST

Support and Resistance

Grains

March 22 Corn

Support 5.40 Resistance 6.00

March 22 Soybeans

Support 12.00 Resistance 13.00

March 22 Chicago Wheat

Support 7.50 Resistance 8.50

Livestock

February 22 Live Cattle

Support 132.50 Resistance 144.00

February 22 Lean Hogs

Support 74.00 Resistance 84.25

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Stock Index

March 22 S&P 500

Support	4530.00	Resistance	4800.00

March 22 NASDAQ

Support	15100.00	Resistance	16550.00

Energy

February 22 Crude Oil

Support	60.50	Resistance	74.80

February 22 Natural Gas

Support	3.300	Resistance	4.400

Metals

February 22 Gold

Support	1755.0	Resistance	1850.0

March 22 Silver

Support	21.45	Resistance	24.60

March 22 Copper

Support	4.1000	Resistance	4.4000

Currencies

March 22 U.S. Dollar Index

Support	95.100	Resistance	97.300

March 22 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 **15 December 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 peaking PPI readings and resilient exports performance. Surging commodity prices pushed Japan's PPI to a 40-year high of 9.0%. New Zealand announced the second interest rate increase and Australia is holding the cash rate a record low of 0.1%.

China

In November, although the power shortage has eased, China's manufacturing activities contracted due to the resurgence of COVID-19 in multiple provinces and softening domestic and foreign demand. The CAIXIN China manufacturing PMI fell 0.7 percentage points from last month to 49.9 in November. New orders dropped into contraction while production ended its contraction for three months and rebounded into expansion. The employment index has been contracting for four months in a row and at a faster pace. Optimism of surveyed enterprises improved over October. China's official manufacturing PMI picked up 0.9 percentage points compared to last month and stood at 50.1, back into expansion.

China's consumer prices advanced 2.3% in November from a year earlier, as food prices increased. On a monthly basis, the CPI edged up 0.4%. Prices for vegetables, eggs, freshwater fish and edible oils increased 30.6%, 20.1%, 18.0% and 9.7% year-on-year respectively. Pork prices fell 32.7% from last year, but climbed 12.2% compared to last month. The PPI rose by 12.9% year-over-year in November, 0.6 percentage points lower than last month's 13.5%, indicating that the rapid increases in the price of coal, metal and other energy and raw materials in the past few months have been curbed. As the CPI picked up and the PPI seemed to peak, the transmission of inflation from the industrial side to the consumer side may have started.

Thanks to seasonal demand from overseas as the holidays approach, China's exports performed strongly in November. In dollar-denominated terms, China's exports rose 22.0% year-on-year, while imports jumped 31.7%, leaving a monthly trade surplus of $71.72 billion. In general, China's foreign trade is expected to be resilient in coming months. However, challenges remain as the impact of the Omicron strain is still unclear and the supply chain interruption caused by the pandemic, the blockage of shipping logistics, the high cost of raw materials in the energy industry and the inflationary pressures in Europe and the U.S. continue to affect the global economy.

China's soybean imports in November increased 68.0% from last month to 8.57 million tons, as shipments from North America arrived, but lower than last year's 9.59 million tons. In the first 11 months of this year, China imported 87.65 million tons of soybeans, down by 5.5% from last year. For most of this year, China's pig industry suffered losses, causing soybean crushing margins to fall into negative territory in June. Although margins recovered somewhat soon after, more recently they have fallen again. Soybean imports for year 2021 are expected to be lower than in 2020.

Other Asian Countries

The IHS Markit South Korea Manufacturing PMI increased to 50.9 in November 2021 from 50.2 in October, indicating a faster, but still marginal improvement in the health of the sector, amid supply chain disruptions and material shortages. Output fell for the second straight month, while new order growth broadly stagnated, as demand was affected by supply chain disruptions, notably in the automotive sector. Meanwhile, employment shrank at the fastest rate in 10 months. At the same time, input buying continued to increase, with the rate of growth reaching a three-month high. Price data indicated input cost inflation accelerated to the fastest pace on record, due to a sharp rise in costs of raw materials. Also, output cost inflation quickened to a four-month high. Finally, sentiment improved to the highest level since August.

Producer prices in Japan increased 9.0% year-on-year in November 2021 from 8.0% in the previous month, beating consensus forecasts for an 8.5% rise and accelerating at its fastest pace since December 1980 due to high commodity prices. The index has also been climbing for nine months in a row amid rising global demand as business activities resume, forcing Japanese firms to pay more for raw materials. Upward price pressures came mainly from industrial materials including lumber and wood products (58.9%), petroleum and coal products (49.3%), nonferrous metals (32.8%), iron and steel (23.9%) and chemicals and related products (14.1%). Meanwhile, the au Jibun Bank Japan Composite PMI came in at 53.3 in November 2021, compared with a final reading of 50.7 in October. This was the second straight month of increase in private sector activity and the strongest pace since October 2017 as COVID-19 cases receded and curbs were eased further.

Indicating that the Omicron variant is unlikely to derail the economic recovery, the Reserve Bank of Australia held the cash rate at a record low of 0.1% and resisted pressure to follow major peers in signaling an earlier end to stimulus tapering, opting to stay patient until inflation and wage growth held within targets. Consumer sentiment in Australia declined 1.0% month-over-month

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to 104.3 in December 2021, amid mounting concerns about the newly emerging omicron variant. The Australian economy shrank 1.9% quarter-to-quarter in Q3, compared with market expectations of a 2.7% decline and after 0.7% growth in Q2. This was the first contraction since Q2, 2020, amid prolonged lockdowns across New South Wales, Victoria and the Australia Capital Territory.

Household consumption fell for the first time in five quarters (-4.8% vs 1.0% in Q2), dragged down by spending on services, while private investment rose the least in a year (0.8% vs 1.9%), due to a sharp slowdown in dwellings investment and a fall in machinery and equipment investment.

The ANZ Business Outlook Index in New Zealand dropped to -16.4 in November 2021 from -13.4 a month earlier, amid coronavirus-related uncertainty, including the implications of the new Omicron variant, as well as intense inflation and cost pressures. Inflation expectations climbed to 4.24% from 3.45% in October, due to the strong CPI data, while cost pressures remained extreme. On November 24, the Reserve Bank of New Zealand announced an 0.25% increase in its official cash interest rate amid rising inflationary pressures, the relaxation of COVID-19 restrictions and surging housing prices. The central bank mentioned that further removal of monetary policy stimulus is expected over time, given the medium-term outlook for inflation and employment. Inflation is projected to run above 5.0% for the next three quarters, peaking at 5.7% in Q1.

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