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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 12, 2019.** This report is intended to be informative and does not guarantee price direction.*

On March 8, the USDA estimated the world corn carryout to be near 308.5 million tonnes versus 341.2 last year. Of the total, China was 204.8 million tonnes. The USDA estimates world domestic corn use to be near a record 1,134.0 million tonnes. The export trade is estimated to be near 167.0 million tonnes versus 146.6 last year. The USDA expects the Brazil corn crop to rebound to near 94.5 million tonnes versus 82.0 last year and the USDA expects the Argentina corn crop to rebound to near 46.0 million tonnes versus 32.0 last year.

Managed funds are now net short near a record 217,000 futures contracts. Some feel that they have sold the market on concerns about the global economy and talk that world 2019 corn supply will be higher than demand. For most of the first three months of the 2019 season, traders were hoping that a new trade deal between the U.S. and China could increase demand for U.S. corn, DDG, ethanol and sorghum. The extended time to reach an agreement is frustrating the bulls.

On March 8, the USDA increased the world soybean carryout to near 107.2 million tonnes versus 98.5 last year. The USDA estimates world domestic soybean use to be near a record 348.5 million tonnes. The export trade is estimated to be near a record 154.2 million tonnes versus 153.0 last year. The USDA expects the Brazil soybean crop to be near 116.5 million tonnes versus 120.8 last year. Brazil soybean exports are estimated to be near a record 79.5. The USDA expects the Argentina soybean crop to rebound to near 55.0 million tonnes versus 37.8 last year. The USDA left China’s soybean imports at 88.0 million tonnes versus 94.1 last year. Some feel the spread of African swine fever in China could reduce hog production and consumer demand for pork. This could reduce final China soybean imports from the USDA estimate.

Managed funds are now net short 89,000 futures contracts. Some feel that they have sold the market on concerns about the global economy and talk that world 2019 soybean supply will be higher than demand. China is back buying U.S soybeans. But some fear this is just dropping because Brazil exports to China and that other buyers may turn to cheaper Brazil soybeans versus U.S. for needs, which could eventually lower U.S. final exports and raise the carryout.

On March 8, the USDA increased the world wheat carryout to near 270.5 million tonnes versus 279.6 last year. Of the total, China is 140.0 million tonnes. The USDA estimates world domestic wheat use to be near 742.1 million tonnes. The trade is estimated near 178.9 million tonnes. Russia is the number one world exporter at 37.0 versus 41.4 last year. Managed funds are now net short near 86,000 Chicago wheat futures contracts. Some feel that they have sold the market on concerns about the global economy and talk that world 2019 wheat supply will be higher than last year, especially in Europe and Russia. For most of the first three months of the 2019 season, traders were hoping that a new trade deal between the U.S. and China could increase demand for U.S. wheat. So far, the U.S. winter has been wet and cold. The 2019 Kansas winter wheat crop is rated 51% good to excellent. Early estimates of the U.S. 2019 wheat crop are near 1,930 million bushels versus 1,884 last year and early estimates of the 2019 world wheat crop are near 770.0 million tonnes versus 733.0 last year.

U.S. President Donald Trump's 2020 budget on Monday proposed a 15% cut for the U.S. Department of Agriculture, calling its subsidies to farmers "overly generous" at a time they are going through the worst crisis in decades due to depressed commodity prices and President Trump's trade tariffs. The budget requested $20.8 billion for the USDA, a $3.6 billion, or a 15% cut from the 2019 estimate. It proposes reducing premium subsidies for crop insurance, limiting the number of producers who would be eligible and tightening commodity payment limits.

Corn Futures - Weekly

Charts from QST

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

*The following report is an overview of the Livestock futures markets as of **March 13, 2019** and is intended to be informative and does not guarantee price direction.*

Cattle

Live cattle futures advanced throughout February. Often there is a seasonal decline in February as consumers back off of expensive cuts, but this was not the case in February with demand for beef in the U.S. and for exports. It was a record year for beef exports in 2018 and beef exports during January into February remained strong. For cattle producers it was fortunate beef rallied because the month of February was a horrible time to feed cattle. The northern Plains states and upper Midwest temperatures were often below zero and the central Plains states were cold and snowy, making feedlots a knee deep soupy muddy mess. The extreme weather conditions set many cattle a month behind in weight gain and likely will affect yield and grade in the coming months. February was also the fifth month there was a reduction in placement in feedlots.

February live cattle futures from the close on January 31st at $123.85/cwt rallied to $130.52 on February 20th and settled at $127.50 on February 28th. The choice boxed beef cutout started out the month at $215.39/cwt and ended the month at $219.95/cwt. A big gain on choice primal rib sections from $340. 52/cwt to $366.04/cwt and primal loins up from $286.02/cwt to $295.32 were the reasons for the rally in cattle and beef.

Live Cattle Futures - Weekly

Lean Hogs

Quite the opposite of cattle futures and beef, lean hog futures, cash hogs and pork did not do well in February. For the first week of February there was a slight pop-up of $2.50/cwt with the second week losing the gain followed by a drop of $8.00/cwt the remainder of the month. The drop in hog prices was predicated by a severe drop in pork loins and hams that are 50% of the pork cutout and the two highest quality primal cuts.

The CME Lean Hog Index for the month of February lost over $5.00/cwt, and the CME Pork Cutout Index lost $2.67/cwt. February, for the hog producers that sells on the open market, had losses for the 10th month out of the past 14 months. Primal pork loins lost $6.88/cwt dropping below $60/cwt and primal hams lost $5.60/cwt hovering above $40/cwt.

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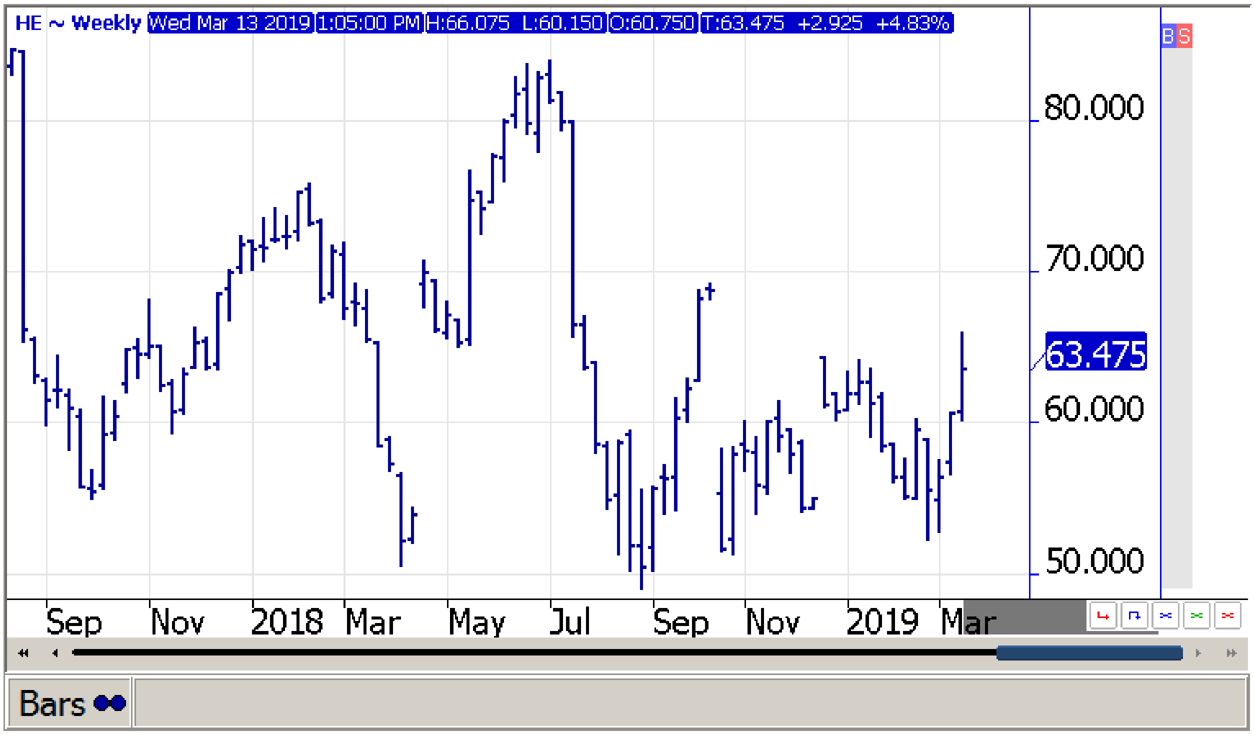
Lean Hog Futures - Weekly



Charts by QST

Stock Index, Crude Oil, Precious Metals and Currency Market Outlook
by Alan Bush, Senior Financial Economist, ADM Investor Services

*The following report is an overview as of **March 13, 2019** and is intended to be informative and does not guarantee price direction.*

Stock Index Futures

Stock index futures put in a spectacular performance so far in 2019 after a dismal performance in December despite the ongoing U.S.-China trade rift and other geopolitical issues, including the contentious Brexit situation. Stock index futures advanced in price in spite of news that the World Bank said it sees growth in the global economy decelerating to 2.9% this year compared to 3.0% in 2018 due to elevated trade tensions and international trade moderation. Why have stock index futures performed so well in spite of weaker global economic growth?

There is a rule of thumb that any time markets can advance in price when the news is mostly bearish, it can be a sign of higher prices yet to come.

Could it be that U.S. stock index futures are anticipating something bullish down the road, possibly a resolution to the U.S.-China trade dispute? Or could it be that traders are seeing major central banks are responding to global economic weakness with hints of easier credit conditions? Either one of these possibilities, or both could explain rising stock index future prices. Additional gains appear to be in store for stock index futures.

S&P 500 Futures - Weekly

U.S. Dollar

The U.S. dollar trended higher this year mainly by default due to investors searching for higher yields, as foreign major central banks have turned more cautious about increasing interest rates.

There was only temporary pressure on the greenback when the substantially weaker than expected headline U.S. nonfarm payroll report was released. Nonfarm payrolls increased only 20,000 in February when up 175,000 was anticipated. The selling was limited due to stronger numbers for hourly earnings and the unemployment rate. Hourly earnings increased .4% when a gain of .3% was estimated and the unemployment rate fell to 3.8%, which compared to expectations of 3.9%.

More recently interest rate differential expectations have turned neutral for the U.S. dollar. If I am correct in my belief that the Federal Open Market Committee will keep its fed funds rate unchanged in 2019, gains in the U.S. dollar will be limited.

Euro Currency

The euro currency has come under selling pressure, especially after the European Central Bank issued a more dovish that expected statement following its March 7th monetary policy meeting. The bar was set high for the ECB to surprise on the dovish side, but the central bank was able to do just that when it make a surprise announcement of providing more liquidity to banks to stimulate more lending on the back of slowing economic growth in the euro zone.

The ECB pushed out the timing for its first post-crisis rate increase to 2020 at the earliest. The ECB's rate on bank overnight deposits, which is currently its primary interest rate tool, remains unchanged at -0.40%. The ECB said in a statement that the Governing Council now expects key ECB interest rates to remain at their present levels at least through the end of 2019, and in any case for as long as necessary."

Economic reports in the euro zone have come in mostly on the weaker side. For example, the Ifo Institute said its business climate index fell to 98.5 in February, which compares to the estimate of 99. In addition, the economic research institute said German companies reduced their business expectations for the next six months.

The euro currency temporarily advanced on news that a German economic expectations index improved slightly in February. The ZEW economic research institute's measure of economic expectations increased to minus 13.4 points from minus 15.0 points in January. The latest reading narrowly beat economists' predictions of minus 14.0 points.

Interest rate differentials expectations appear to be neutral to slightly bearish for the euro currency.

Crude Oil

Since the lows were made in late December, crude oil prices have been on a tear. Prices have been bolstered by data suggesting the Organization of the Petroleum Exporting Countries and other top producers are following through on a promise made late last year to reduce output to slim down supplies and increase prices.

OPEC and a group of 10 producers outside the cartel, led by Russia, agreed late last year to collectively hold back crude output by 1.2 million barrels a day for the first six months of this year. In addition, U.S. sanctions on the oil industries of Iran and Venezuela have curbed their output and exports, limiting the world's supply of crude oil.

Longer term, crude oil futures are likely to continue to advance, especially if a trade agreement between the U.S. and China is reached.

Crude Oil Futures - Weekly

Gold

Gold futures smashed above the psychological 1300.00-1307.00 level in January only to fall back below that level earlier this month. More recent gains were linked to ideas that central banks are turning to more accommodative policies, which ultimately will lead to more inflation.

In addition, there is the uncertainty over Britain's bid to leave the European Union, as the possibility of a disorderly split grew between the U.K. and E.U. after U.K. Prime Minister Theresa May failed to secure parliamentary approval on a bill that would lay out essential economic and judicial terms for an orderly separation.

The technical picture has improved. Further gains are likely for gold futures. The next upside price objective for the yellow metal is the 1334.40-1335.30 gap area on the weekly charts.

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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 **13th March 2019**. 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 the trade war impact, which is spreading across Asia with Korea and Japan recording a further drop of manufacturing PMI. The Chinese New Year holiday has distorted the Chinese data, but a significant drop in exports is an alarming sign that the economy is slowing down.

China

In February, thanks to improved domestic demand, which drove the new orders index higher, the CAIXIN China manufacturing PMI rebounded to 49.9 from last month's 48.3, but still stayed in contraction area. New export orders slipped back into contraction again. Job shedding continued, for its 64th consecutive month. In the meantime, China's official manufacturing PMI further fell from last month to 49.2 and has stayed in contraction zone for three months in a row, indicating a tremendous pressure on demand. During the meeting of the National People's Congress, the Chinese government lowered its annual GDP growth target for 2019 to 6%-6.5%.

Sluggish domestic demand is also being reflected in China's inflation rate. In February, China's consumer price index increased 1.5% compared to last year, the lowest reading in more than a year, while factory-gate inflation, the PPI, rose 0.1% year-on-year. Compared to last month, the PPI declined 0.1%. The PPI has been falling for four consecutive months. Consumer inflation is likely to remain far below the 2019 government target of 3.0%. China's Premier Li Keqiang recently announced a value-added tax cut for manufacturing industries from 16% to 13%, to improve the manufacturing sector's situation.

In February, China's exports in dollar-dominated terms plunged 20.7% from a year earlier, after jumping 9.1% in January. Imports fell 5.2% following a 1.5% drop in January. The monthly trade surplus narrowed sharply to $4.12 billion from last month's $39.2 billion. For the first two months, China's exports and imports fell 4.6% and 3.1%, respectively, leading to a trade surplus of $43.7 billion. The sharp decline in exports was attributed to the holiday effect, which skews the monthly data. Even though, as the trade negotiations between China and the U.S. go on, there are still a lot of uncertainties ahead, which clouds the trade prospects of China.

Thanks to soft soymeal demand and an uncertain trade relationship between China and the U.S., China's monthly soybeans imports slipped to the lowest level in the same period over the past four years. In February, China only imported 4.46 million tons of soybeans, down 17% from last year. The decline in soybean imports was mainly due to China's tariff on U.S. soybeans. In addition, Chinese importers have not purchased much Brazilian soybeans recently, because China and the U.S may reach a final trade agreement, so buyers are waiting to buy U.S. soybeans. On March 8 the Chinese Ministry of Agriculture issued a monthly report, which raised the forecast for soybean imports in 2018/19 from 83.65 million tons to 85 million tons.

Other Asian Countries

Japan's manufacturing industry has been deeply harmed by the trade war. The February manufacturing PMI dropped to the contraction zone for the first time since August 2016. Also, machinery orders dropped 5.4% in January, well below forecast. Although the service sector is still expanding, the BoJ will need to keep interest rates low for an extended period.

South Korea's unemployment rate increased to 4.7%, echoing signs that the economy is slowing down. The manufacturing PMI dropped further to 47.8, which is the fourth month in the contraction zone and shows no signs of recovery. The BoK kept its key interest rate unchanged at 1.75%.

The housing downturn and limited wage growth made Australians more cautions on spending. January retail sales increased 0.1%, below an expectation of increasing 0.3%. Consumer sentiment experienced a big drop in March. The RBA opened the door for easing, and the market is expecting a 25 basis point reduction by August.