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

After the May USDA report, soybean, corn and wheat futures traded lower. July soybeans traded from 16.67 to 15.22. July Chicago wheat traded from 7.40 and 6.22 and July corn from 7.35 to 6.33. Over the last few days new buying from China helped July corn to rally to 6.72. In May, the USDA did not lower the U.S. 2020/21 corn and soybean carryout as much as expected.

In May, the USDA lowered the U.S. 2020/21 corn carryout to 1,257 mil bu. The fact that the USDA estimated the U.S. 2021/22 corn carryout to be near 1,507 was negative. Most analysts believe total demand will increase and could take 350 mil bu off the 1,502 carryout. One private group though estimated U.S. 2021 corn planted acres to be near 96, which was negative. The USDA raised China's corn imports at 26.0 mmt but some analysts believe final exports could be closer to 30 mmt. Most analysts feel corn futures could see increased price volatility going into the end of the 2020/21 market year. The declining La Nina could suggest a normal U.S. spring. The latest NOAA 90-day forecast calls for normal to above normal temperatures and normal rains.

In May, the USDA left the U.S. 2020/21 soybean carryout at 120 mil bu. This disappointed many of the futures longs. Most feel final demand could increase and could take the final carryout to near 100 mil bu. Still, the U.S. 2020/21 soybean export marketing year is winding down, which offers resistance to futures. The USDA left the Brazil soybean crop at 136.0 mmt and lowered the Argentina crop to 47.0. The USDA left China's soybean imports at 100.0 mmt and estimated China's 2021/22 imports at 103 mmt. Higher demand and declining supplies continue to support soyoil prices versus soymeal. Concerns about the spread of African swine fever in China have weighed on soymeal prices.

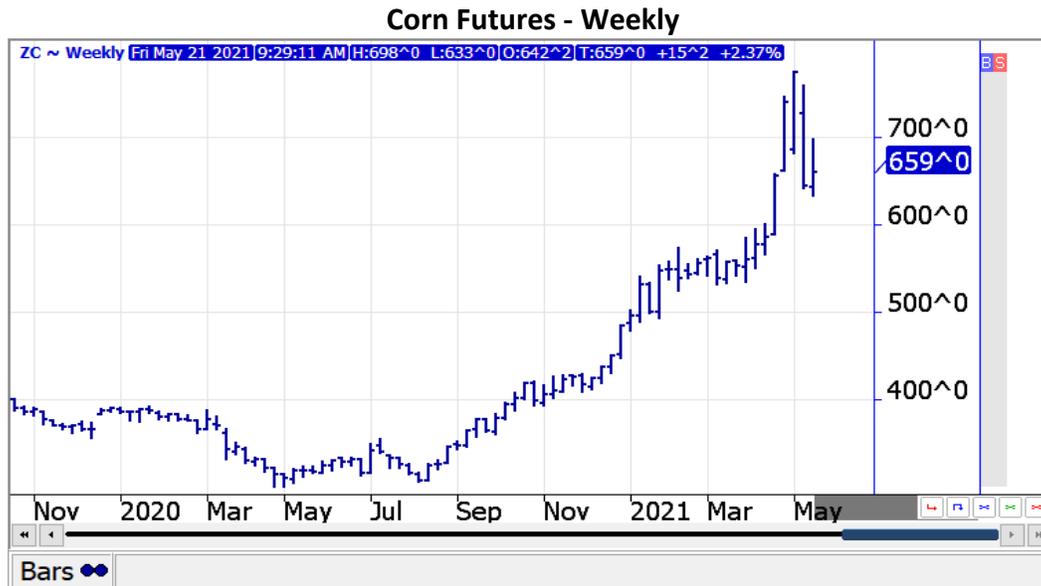
In May, the USDA raised the U.S. 2020/21 wheat carryout to 872 mil bu vs 852 mil bu. This was due to lower feed and export use. A change in the U.S. north plains and Canadian weather for the better weighed on wheat futures.

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Some analysts believe tightening U.S. corn and soybean balance sheets and a successful virus vaccine could increase demand for food and fuel late in 2021. The U.S. dollar could eventually trend lower on talk of higher 2021 U.S. debt. All of this could be key to grain and soybean price trends in 2021.



Charts from QST

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

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#### Live Cattle

It was late January 2020 when reports that COVID 19 began to affect prices for agricultural commodities. At the time, the April 2020 live cattle contract was the highest priced 2020 cattle futures contract topping at \$128.55/cwt. By April 24, 2020, the April 2020 live cattle contract also became the cattle contract making the extreme low at \$81.45/cwt. It took close to fourteen months, but the April 2021 live cattle contract climbed out of the 2020 cellar to reach \$126.70/cwt with December 2021 live cattle contract the first contract to meet the \$128.55 on April 6, 2021.

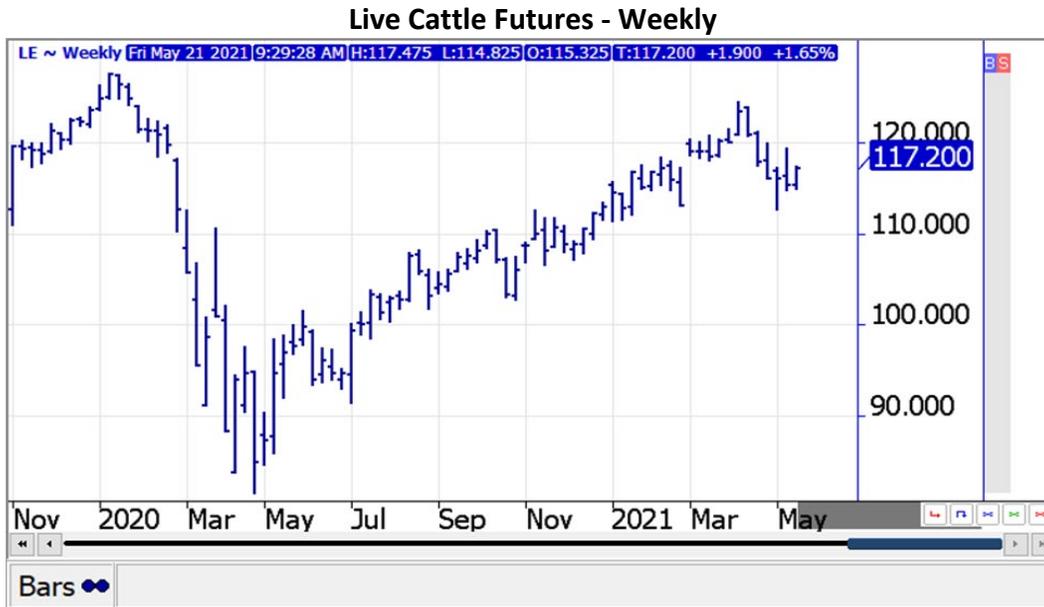
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Boxed beef demand has been the reason live cattle have traded higher. Demand has been exceptionally strong for the primal choice rib and loin sections, rib roasts and steaks. But sales have also been good for trimmings and ground beef and select grade beef.

During April 2021, live cattle futures and cash cattle peaked on April 8 and dropped into the last day of trading off the high by \$8.57/cwt to \$116.00/cwt. Beef continued higher but there was an abundance of cattle that had been previously contracted or outright owned by packers that pressured cattle available for sale on the open market showlists.



## Lean Hogs

A meteoric rally is the best way to describe the hog market of 2021. Compared to a year ago, a complete opposite has taken place. On April 6, 2020 the April 2020 lean hogs fell to \$37.50/cwt due to the packer industry shutting down facilities or severely curtailing slaughter because of the coronavirus pandemic. It was a disaster for hog producers.

However, by May 2020 the packing industry learned how to work in a pandemic world. Due to strong demand for pork in the United States and worldwide, lean hog prices began to quickly recover. Except for a few minor setbacks, the 2020 and 2021 hog rally can only be compared to the rally in 2014 when July 2014 lean hogs topped \$133.90/cwt on July 15, 2014.

April 2021 lean hogs bottomed at \$37.50/cwt and they settled on April 15, 2021 at \$103.40/cwt. Higher pork demand is a result of the increased growth of the barbeque industry at homes and restaurants.



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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 Dow futures advanced to new record highs earlier in May due to vaccine and fiscal stimulus optimism, along with better than expected quarterly earnings results. In addition, recent gains were linked to ideas that the Federal Reserve will remain accommodative for an extended period. Federal Reserve Chairman Jerome Powell said in a U.S. media interview that it's "highly unlikely" the Fed will raise rates this year, despite a stronger economy.

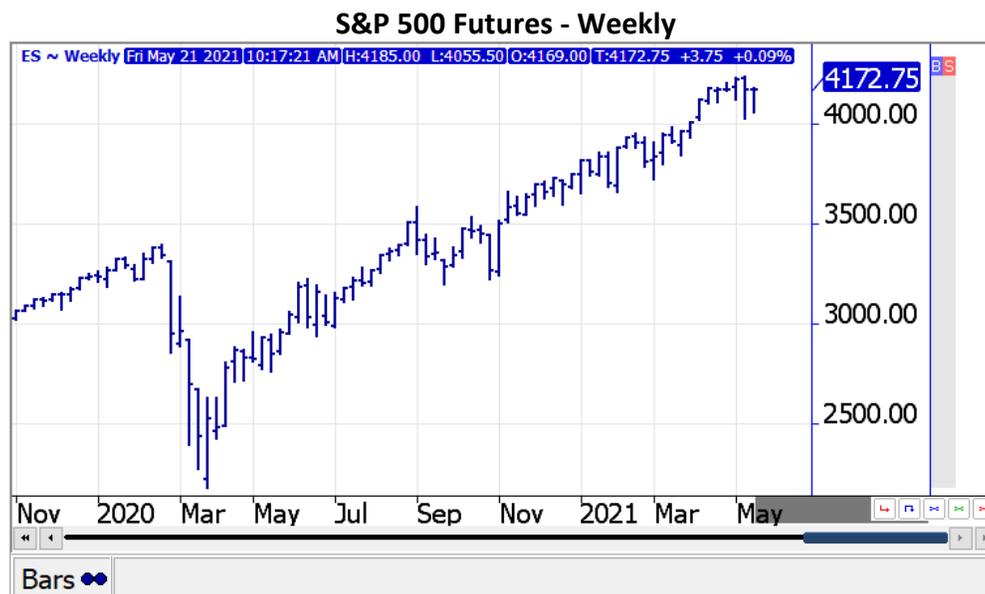
With the earnings season drawing to a close, earnings for S&P 500 companies are expected to have climbed over 50.0% from a year ago, which is the strongest rate of growth in 11 years.

A congestion pattern is forming now that most likely will be followed by an upside breakout.

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## U.S. Dollar Index

The U.S. dollar index has underperformed recently, ignoring bullish larger than expected increases in consumer price and producer price indexes. Some of the underperformance in the greenback can be explained by Federal Reserve officials persistently downplaying inflation risks, saying they are transitory.

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. Also undermining the greenback's upside potential are expectations for an extended period of low interest rates due to the Fed's "average inflation targeting" strategy, which suggests the U.S. central bank will remain accommodative for longer.

Lower prices are likely for the U.S. dollar index.

## Euro Currency

The euro currency has trended higher since April. Some of the gains were linked to news that the ZEW Indicator of Economic Sentiment for Germany jumped 13.7 points from the previous month to 84.4 in May 2021, which is the highest level since February 2000 and is well above market expectations of 72.

The assessment of the current economic situation in Germany also improved to minus 40.1 in May from minus 48.8 in April, according to the ZEW institute. This reading compares with economists' forecast of minus 43.0 points.

In addition, the European Commission revised upwards its GDP forecasts for 2021 and 2022. The euro zone is seen expanding by 4.3% this year and 4.4% in 2022, compared with the February estimates of 3.8% growth in both years.

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Also supporting the euro was news that new orders for German manufactured goods jumped 3.0% month-over-month in March, following an upwardly revised 1.4% growth in February and beating the market consensus of a 1.7% advance. This was the largest increase in new orders since last October.

The long term fundamentals remain bullish and higher prices are likely for the euro.

## Crude Oil

Crude oil futures have recently come under pressure in response to increased attention regarding production of oil in the Middle East, which was spurred by Iran's potential re-entry into selling on the world market. The Iranian president said Iran had reached a broad outline to end oil sanctions but are still discussing final details.

In my minority view, I am seeing indications that the global economy will continue to improve, but growth may not be as strong as many analysts are predicting.

The long term fundamentals are neutral now for crude oil futures and a sideways trade is likely.

### Crude Oil Futures - Weekly



## Gold

Gold prices increased to their highest levels since early January, as Federal Reserve officials, including Federal Reserve Chair Powell, indicated the central bank will not withdraw easy monetary policies anytime soon. The Fed has maintained its dovish stance in spite of pressure on the Federal Reserve to ease back on its accommodation. In addition, recent weakness in the U.S. dollar and falling Treasury yields from the March highs have contributed to a stronger gold market.

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There was only a temporary setback when the minutes from the April Federal Open Market Committee meeting came in on the hawkish side. The minutes indicated that the policy makers were discussing a possible timetable for tapering its asset-purchase program.

Most major central banks will probably keep their accommodation for longer, which remains a bullish longer term influence on the precious metals.



Charts provided by QST

## Support and Resistance

### Grains

#### **July 21 Corn**

Support	6.40	Resistance	7.00
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#### **July 21 Soybeans**

Support	15.00	Resistance	15.75
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#### **July 21 Chicago Wheat**

Support	6.40	Resistance	7.00
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### Livestock

#### **June 21 Live Cattle**

Support	113.00	Resistance	122.50
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#### **June 21 Lean Hogs**

Support	100.50	Resistance	133.50
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## Stock Index

### June 21 S&P 500

Support	4075.00	Resistance	4250.00
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### June 21 NASDAQ

Support	13100.00	Resistance	13950.00
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## Energy

### July 21 Crude Oil

Support	59.25	Resistance	66.70
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### July 21 Natural Gas

Support	2.880	Resistance	3.070
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## Metals

### June 21 Gold

Support	1860.0	Resistance	1907.0
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### July 21 Silver

Support	27.25	Resistance	28.60
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### July 21 Copper

Support	4.3500	Resistance	4.6600
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## Currencies

### June 21 U.S. Dollar Index

Support	89.050	Resistance	90.200
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### June 21 Euro Currency

Support	1.21300	Resistance	1.23650
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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 19 May 2021. This report is intended to be informative and does not guarantee price direction.*

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The key Chinese and Asian event over the last 30 days has been China's strong performance in foreign trade. Exports and imports jumped 32.3% and 43.1% year-on-year respectively. South Korea's exports also saw an increase of 41.1% year-over-year.

## **China**

The CAIXIN China manufacturing PMI for April came in at 51.9, significantly higher than last month's 50.6, the highest this year. Output and sales showed the strongest growth for the past four months and led to an expansion of hiring and purchasing. New orders expanded for their eleventh month and new export orders expanded for its second month and at a higher pace than last month. Thanks to an improved market sentiment, factories started increasing hiring. Employment ended its four-month contraction and entered into expansion for the first time in 2021. The purchasing price index climbed within the expansion area and reached the highest level since December 2017 due to escalating commodities prices.

In April, China's consumer price index increased 0.9% from last year, which is 0.5 percentage point higher than last month. On account of higher crude oil prices, higher prices for airline tickets, gasoline and diesel increased 26.9%, 20.1% and 21.9% respectively. But the impact on the CPI was mitigated by declining food prices. Pork prices dropped 21.4% compared to last year. On the industrial side, because of the price increases of commodities like iron ore and nonferrous metals, the PPI was up 6.8% year-on-year, 2.4 percentage points higher than March. Since commodity prices are expected to remain relatively high in short term, the PPI is estimated to penetrate 7.0% in May.

In April global demand for Chinese goods remained strong as the economic stimulus plan launched by developed economies increased the demand for household goods and electronic equipment. In U.S. dollar terms, China's exports increased by 32.3% year-on-year, and imports increased by 43.1% year-on-year, achieving a trade surplus of US\$42.85 billion. In the first four months of this year, China's exports increased by 44.0% and imports increased by 31.9%, achieving a trade surplus of US\$157.91 billion. Driven by global fiscal stimulus, China's trade performance this year may last longer than expected.

Boosted by the arrival of some delayed cargoes from Brazil, China's soybean imports in April reached 7.45 million tons, an increase of 11.0% from 6.714 million tons in the same period last year. In the first four months of this year, China's total soybean imports reached 28.63 million tons, up by 17.0% from last year. Since the beginning of this year, because the domestic pig industry's feed demand is expected to recover, crushing plants purchased a large amount of imported soybeans. However, the rainy weather in Brazil has delayed the harvest and shipment of soybeans. The pig herd is now steadily increasing and is expected to return to a normal level by June or July. As the peak of Brazil shipments arrive, soybean imports in May might be even stronger.

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### Other Asian Countries

The final au Jibun Bank Japan Manufacturing PMI rose to 53.6 in April from last month's 52.7, the strongest expansion since February 2018. Input prices rose for the eleventh month on high demand for intermediate goods used for producing cars and electronics. Even though surveyed businesses reported a positive medium-term activity outlook, it is too early to tell what impact the third state of emergency for Tokyo and other prefectures declared recently to contain the pandemic would have on manufacturers in the months to come.

South Korean's exports in April surged 41.1% from last year to \$51.19 billion, the highest level since January 2011. Thirteen of the top 15 export main items achieved double-digit growth, out of which semiconductors and cars increased 30.2% and 73.4% respectively. Internal demand and employment saw significant improvements as well. The CPI increased 2.3% year-on-year, the highest since August 2017, raising inflation concerns.

Independent research suggested Australia's unemployment rate dropped in April, but the decline was offset by a rise in under-employment, as part-time employment increased to a new record high. Even though the tense SINO-Australia relationship clouded the trade between the two countries, thanks to a strong demand for commodities like iron ore, prices recently surged to a 9-year high. Australia's exports to China kept climbing, offsetting losses in other industries from punitive trade sanctions imposed by the Chinese government.

New Zealand's jobless rate in the first three months ended March fell to 4.7% from 4.9% in the previous quarter, indicating the economy is expected to continue its recovery. But as world travel is far from going back to normal, New Zealand's full recovery in main industries, especially those related to tourism, are still struggling. Australia opened travel with New Zealand in April, which might create more job opportunities for the second quarter. The Reserve Bank of New Zealand is expected to keep monetary settings loose until the global pandemic was brought under control and New Zealand could finally reopen its border.

Questions or comments on this special monthly outlook, send them to [sales@admis.com](mailto:sales@admis.com).

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