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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 ***April 12, 2022.*** *This report is intended to be informative and does not guarantee price direction.*

The USDA's April report was bullish for new crop corn, positive for soybeans and neutral for wheat prices. After the April USDA report, July soybean futures traded up from 16.25 to 16.76 and July corn went from 7.45 to 7.73. Chicago July wheat futures traded from 10.22 to 11.25. July soymeal is trading between the 50 DMA at 455 and the 20 DMA at 463. July soyoil traded from 71.16 to 74.34.

Grain prices are adjusting to higher food, fuel, wage inflation and job shortages. Commodity prices are also trying to adjust to expectations that the Federal Reserve will raise interest rates in 2022. In April, the USDA left the U.S. 2021/22 corn carryout at 1,440. The USDA raised the Brazil corn crop 2 mmt and left the Argentina crop unchanged. The USDA dropped Ukraine corn exports 4.5 mmt, which could increase U.S. corn export demand to 2,750 mil bu versus the USDA's 2,500. In March the USDA estimated U.S. 2022 corn acres lower than expected. The current U.S. eastern Midwest wet and cool weather could delay early corn planting.

The USDA lowered the April U.S. 2020/21 soybean carryout to 260 mil bu. This was due to an increase in exports. The USDA lowered Brazil's crop 2 mmt. July soybean futures could be supported by even lower South America supplies and higher global sunoil and rapeoil prices. The key will be consumer soybean demand, especially China. In March, the USDA estimated U.S. 2022 soybean acres to be higher than expected. The current SX/CZ ratio favors more soybean acres.

The USDA increased the April U.S. 2021/22 wheat carryout to 678 mil bu. The USDA dropped exports 15. The USDA lowered the world 2021/22 wheat end stocks to 278 mmt. The USDA raised Russia wheat exports 1 mmt, lowered Ukraine exports 1 mmt and lowered E.U. wheat exports 2.5 mmt. The USDA lowered Middle East wheat imports 1.2 mmt. The key now is global demand and world 2022 weather. Uncertainty over the situation in Ukraine and U.S. 2022 southern Plains weather is limiting new volume due to the potential increase in price volatility.

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Corn Futures - Weekly

Chart from QST

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

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Live Cattle

The first week of March 2022 live cattle futures saw a continuation of the downturn in prices that began in February. The most actively traded month, April 2022 live cattle, in February traded from the high on February 10 at $148.70/cwt to the low on February 28 at $140.25/cwt, which was a drop of $8.45/cwt. On March 1 April live cattle opened steady but closed lower with sellers pushing the market down to a low at $133.50/cwt on March 4 and settling the day $135.77/cwt. The last time April live cattle was as low was October 1, 2021.

For the first two months of 2022 consumers were buying less beef, cheaper beef cuts and ground meat products. Soaring beef prices were news headlines. Increasing costs for gasoline and home energy bills cut into consumer spending and cuts like steaks and roasts were not on grocery lists. But in March there was the normal seasonal shift in beef cut demand and the choice boxed beef composite in March gained $10.05/cwt with higher prices for primal loin sections up $27.33/cwt and rib primal sections gaining $34.12/cwt. However, it came at the cost of lower quality cut prices dropping that were still the bulk of what consumers were buying.

Higher feed prices also affected cattle prices. By March, feedlots were selling cattle at lighter weights. Cattle buyers began to discount lighter weight and lower grade cattle and began to pay a premium on heavier and higher grading cattle. Throughout March dressed cattle prices were $220.00/cwt and discounted to $217.00/cwt and as high as $228.00/cwt. Cash cattle prices were $138.00/cwt down to $136.00/cwt to $142.00 with premiums up to $145.00/cwt.

Live Cattle Futures - Weekly

Lean Hogs

Spread trading and volatility defined lean hog trading in March. High hog prices, high prices for all meats, global concerns about the Ukraine and Russian war and fewer hogs for slaughter along with the influx of speculative funds were factors influencing the volatility. For example, April 2022 lean hogs on March 1 began the month at $103.02/cwt, dropped to a low on March 7 to $100.27/cwt, moved back to a high on March 28 at $108.45.cwt and ended the month at $101.75/cwt. At the same time June 2022 lean hogs opened at $113.60/cwt, dropped to a low on March 7 to $109.15/cwt and then rallied to March 31 to a high on the open at $127.32/cwt to settle the day at $120.62/cwt. By the end of March the spread difference between April 2022 lean hogs and June 2022 lean hogs was $18.27/cwt. Speculators were spread trading, buying lean hogs and selling lean hogs as well as buying lean hogs and selling live cattle.

March 2022 cash hog and pork markets were also volatile. The CME lean hog index during March moved up from $98.40/cwt to $103.66/cwt gaining $5.26/cwt. However, the CME pork Index fell from the close on February 28 at $111.44/cwt to end March at $106.60/cwt losing $4.84/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

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Stock Index Futures

Futures trended lower in April as Federal Reserve officials discussed a faster timetable for raising interest rates this year. It is widely expected that the Federal Open Market Committee will hike its fed funds rate by 50 basis points at the May 4 policy meeting. In addition, there may be a series of half point increment increases in the Fed's key interest rate.

Economic reports have been mostly on the weaker side. The National Federation of Independent Business small business optimism index declined for a third straight month to 93.2 in March, which compares to the expectations of 95.0. This is the lowest since April of 2020. The percentage of owners expecting improved business conditions over the next six months decreased to the lowest level on record. Retail sales in March were up 0.5% month-over-month, which compares to the anticipated 0.6% increase and the April housing market index was 77 when 78 was anticipated.

Also, corporate earnings reports have been lackluster. So far, approximately 7.0% of S&P 500 companies have reported actual first quarter results and 77.0% of these have topped earnings per share estimates, matching the five-year average percentage of beats, according to data from FactSet.

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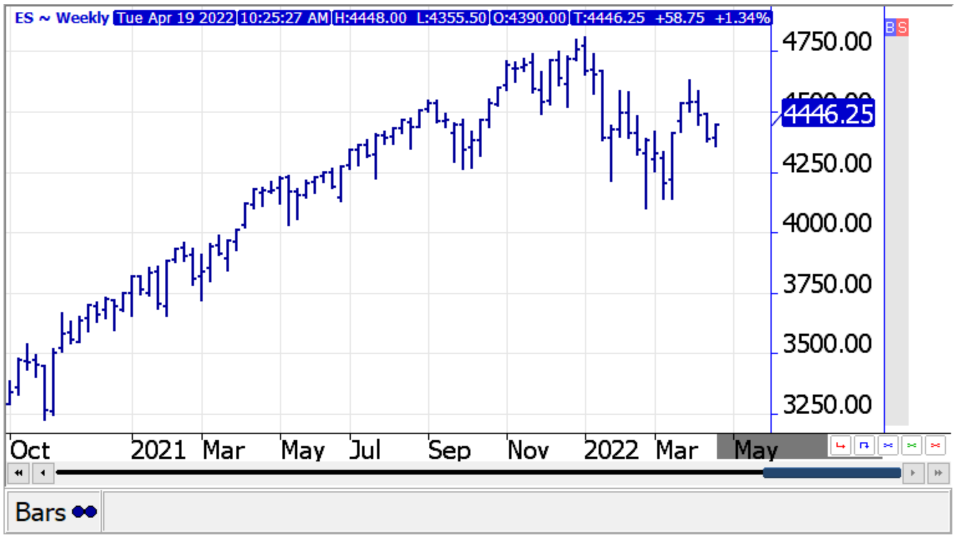
The dominant fundamental influences are the geopolitical risks, followed closely by the hawkish Federal Reserve.

S&P 500 Futures - Weekly



U.S. Dollar Index

The U.S. dollar index has been very strong and remains close to the highest level in nearly two years. Much of the strength is linked to Federal Reserve officials indicating a readiness to take more aggressive steps to bring inflation under control, including a likely 50 basis point fed funds rate hike in May. Fed Chair Powell's comments at the National Association for Business Economics meeting set a more hawkish tone when he said he is ready to back a half-point hike in the fed funds rate in May if inflation continues to run hot. Powell also repeated that the Fed's reductions to its massive balance sheet could begin by May. In addition, the greenback has been supported by a flight to quality flow of funds in light of the ongoing geopolitical tensions.

Expect higher prices for the U.S dollar index.

Euro Currency

The euro currency depreciated to under the $1.08 level for the first time since May 2020 due to uncertainty about the timing of interest rate hikes from the European Central Bank. In addition, economic indicators in the euro zone have been generally on the weak side. The ZEW Indicator of Economic Sentiment for Germany decreased by 1.7 points to -41 in April, which is the lowest level since March 2020 but is above market expectations of -48. The economic sentiment indicator in the euro area dropped by 5.4 points from a month earlier to 108.5 in March, which is below market expectations of 109. This was the lowest reading since March 2021, mainly due to plummeting consumer confidence. Some analysts believe the risk of recession is currently greater in the euro zone than in the U.S.

Currently, the fundamentals are bearish on balance for the currency of the euro zone and lower prices are likely

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Japanese Yen

The Japanese yen fell to its lowest level in nearly 20 years. Recent pressure on the yen is linked to the Bank of Japan's firm commitment to maintain ultra-easy monetary policies, which contrast sharply with other major central banks that are hiking interest rates.

Also, Bank of Japan Governor Kuroda recently said the central bank is not ready to discuss an exit from monetary easing and a weak yen is positive overall for the Japanese economy.

Interest rate differential expectations remain bearish for the Japanese yen and lower prices are likely.

Crude Oil

Crude oil prices firmed in April due to concerns about Libyan supplies, adding to the mix of constrained OPEC output and relatively strong demand. Oil analysts are expecting Libyan output to fall by more than 500,000 barrels a day after the country's Sharara oil field was closed due to a growing political crisis.

Investors are trying to gauge the possibility of an EU ban on Russian oil, which could be bullish if implemented. The EU is in the process of drafting an oil embargo, though a vote is unlikely to be held until after the April 24 French election.

The combination of relatively good demand and limited supply hikes will likely support crude oil prices.

Crude Oil Futures - Weekly

Gold

June gold futures hit a five-week high of 2003.00 on April 18 due to the precious metal's safe-haven status amid ongoing geopolitical uncertainty. In addition, there are the increasing inflation concerns. Any Ukraine conflict escalation will drive economic disruptions and more persistent inflationary pressures, which will lead markets to adopt a more risk-off mood and in turn, underpin gold prices.

I anticipate central banks may be less hawkish than many analysts expect later this year, in response to slower global economic growth, which is long-term supportive to the price of gold.

Gold Futures - Weekly

All Charts provided by CQG

SUPPORT AND RESISTANCE

Grains

July 22 Corn

Support 7.50 Resistance 8.20

July 22 Soybeans

Support 16.00 Resistance 17.15

July 22 Chicago Wheat

Support 10.00 Resistance 12.00

Livestock

June 22 Live Cattle

Support 131.00 Resistance 140.00

June 22 Lean Hogs

Support 102.00 Resistance 127.50

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Stock Index

June 22 S&P 500

Support	4330.00	Resistance	4550.00

June 22 NASDAQ

Support	13850.00	Resistance	14600.00

Energy

June 22 Crude Oil

Support	98.00	Resistance	114.000

June 22 Natural Gas

Support	6.080	Resistance	7.480

Metals

June 22 Gold

Support	1925.0	Resistance	2010.0

July 22 Silver

Support	24.50	Resistance	26.15

May 22 Copper

Support	4.5750	Resistance	4.8400

Currencies

June 22 U.S. Dollar Index

Support	99.600	Resistance	101.150

June 22 Euro Currency

Support	1.07200	Resistance	1.09500

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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 **17 April 2022**. 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 China's worse than expected slowdown in the manufacturing sector, high industrial inflation in Japan and New Zealand's decision to increase interest rates.

China

The Caixin China Manufacturing Purchasing Managers' Index (PMI) fell 2.3 percentage points from the previous month to 48.1 in March 2022, falling back into contraction territory and marking the lowest reading since March 2020. Both supply and demand contracted sharply, indicated by sub-indexes. Production and new orders came in at the lowest since March 2020. A sharp drop in overseas demand, combined with deteriorating transport conditions, dragged the new export orders further into contraction territory in March to a 22-month low. According to the surveyed companies, the COVID pandemic situation, transportation and delivery difficulties, and market instability caused by the situation in Ukraine have led to a setback in sales. The employment index ended seven straight months of contraction in March and returned to expansion territory, indicating overall stability or a slight improvement in the labor market.

China's consumer prices rose 1.5% year-on-year in March, thanks to eased pork prices and moderately increasing vegetable prices, which fell 41.4% and rose 17.2% year-on-year respectively. On the industrial side, thanks to soaring commodity prices, such as crude oil and nonferrous metals, the PPI rose 8.3% from last year. On a monthly basis, the PPI increased 1.1%. The "scissors" spread between the PPI and CPI inflation fell to 6.8 percentage points, reflecting an acceleration in price pass-through from upstream to downstream.

In March, China's exports in dollar-denominated terms increased 14.7% compared to last year, beating expectations, while imports dropped 0.1% year-on-year, due to a high comparative basis from last year and suppressed demand by the recent outbreak of COVID, which slows down import declarations. As prevention measures continue in multiple cities, imports are expected to remain at a relatively low level in April and sharply recover after the outbreak gets under control. China imported 6.35 million tons of soybeans in March, up by 24.81% from last month, but down by 18.0% year-on-year. Delayed harvesting caused by drought in Brazil limited supply. On the other side, poor pig farming profits led to unappealing crushing margins, which curbed buyers' importing appetite. Domestic soymeal prices reached a record high in late March due to supply shortages. To relieve supply pressures, China released part of its soybean national reserves.

Other Asian Countries

Consumer prices in South Korea rose 4.1% in March 2022 from a year earlier, accelerating at the fastest pace in more than a decade, fueled by soaring energy and commodity prices due to the Ukraine crisis and adding pressure on the central bank ahead of its meeting next week. This also followed a 3.7% gain in February and came in higher than the 3.8% consensus forecast. Data showed that the cost of petroleum surged 31.2%, while that of electricity, gas and water rose 2.9%. Housing rentals and outdoor dining also jumped 2.0% and 6.6%, respectively. South Korea's inflation has held above 3.0% since October, well in excess of the central bank's 2.0% target, keeping the pressure on the Bank of Korea despite having raised interest rates three times since August to 1.25%. The BOK faces the challenge of controlling inflation without stifling growth.

The au Jibun Bank Japan Composite PMI was at 50.3 in March 2022, compared with a flash reading of 49.3 and after a final 45.8 a month earlier. This marked the first growth in private sector activity since last December amid a renewed rise in manufacturing output, while services firms noted a much softer decline. New orders rose modestly for the fifth time in six months, and at the strongest pace in three months. Also, the rate of job creation reached a five-month high, with backlogs rising for the first time since December 2021, and at the fastest rate since June 2018. Firms in both sectors reported a further rapid rise in average cost burdens in March, with aggregate input prices rising at the sharpest pace since August 2008. Finally, sentiment dipped to the lowest since last August, amid concerns over the Ukraine/Russia war and a resurgence in COVID-19 cases.

Australia's seasonally adjusted unemployment rate stood at 4.0% in March 2022, unchanged from February's 13-1/2-year low figure and compared with a market consensus of 3.9%. The number of unemployed dropped 12,100 to 551,300, with the number of people looking for only part-time work was down 25,500 to 162,000, while those for full-time employment gained by 15,000 to 389,300. Meantime, employment rose 17,900 to a fresh record high of 13.390 million, but below market forecasts of 40,000, as full-time employment increased by 20,500 to 9,248,600, while part-time employment fell 2,700 to 4,141,300. The Reserve Bank of Australia abandoned its language of patience and signaled it could begin raising interest rates within months if wages and inflation data produce strong results.

The Reserve Bank of New Zealand raised its official cash rate (OCR) by 50 bps to 1.5% during the April meeting, compared with expectations of a 25 bps increase. This was the fourth straight rate

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hike amid persistently high inflation. The board mentioned that the annual CPI is expected to peak around 7.0% in the first half of 2022 and the “path of least regret” is to increase the OCR by more now, rather than later, to head off rising inflation expectations. Policymakers added they will remain focused on ensuring that high consumer prices do not become embedded into longer-term expectations

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