Monthly Commodity Futures Overview
July 2022 Edition

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 20, 2022.** This report is intended to be informative and does not guarantee price direction.*

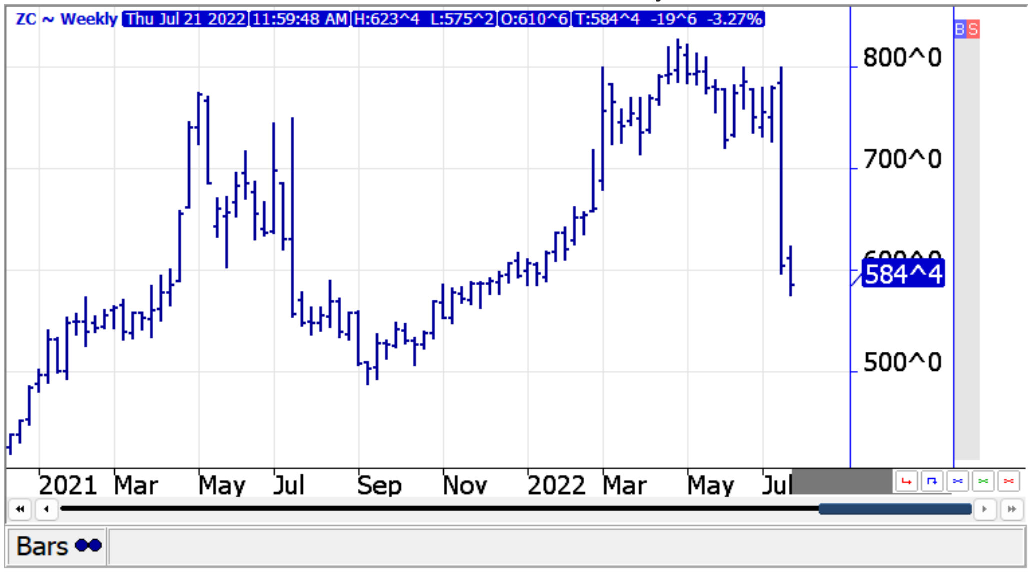
The USDA's July report was positive for corn, negative for soybeans and neutral for wheat futures. After the July USDA report, September soybean futures traded down from 14.23 to 13.21 and September corn went from 6.37 to 5.82. Grain prices are adjusting to feelings U.S. central Midwest weather is normal and demand for U.S. corn, soybeans and wheat is below pace to tighten the U.S. carryout. Commodity prices are also trying to adjust to the lower U.S. stock market, the higher U.S. dollar and lower energy prices. Putin appears to be a major influence on world energy prices. China continues to be a major influence on soybean and soyoil prices. Ukraine exports, or lack of, are also impacting increasing volatility in corn and wheat prices. Indonesia and Malaysia supply, and reduced demand from China appears to be increasing volatility to world vegoil prices.

In July , the USDA raised its U.S. 2021/22 corn carryout to 1,510. This is due to lower feed use. The USDA's July U.S. corn yield remained at 177. The USDA estimated the U.S. 2022/23 corn carryout to be near 1,470 due to higher acres. The U.S. domestic basis remains elevated. The USDA continues to estimate the EU corn crop at 68.0 mmt versus some estimates closer to 61.0. EU corn imports were at 16.0 versus some closer to 19.0 and Ukraine 2021/22 corn exports at 24.0 mmt with some closer to 5.0. The USDA estimates Brazil's 2023 corn crop at 126.0 mmt and Argentina at 55.0 versus 116.0 and 52 this past year.

The USDA raised the July U.S. 2020/21 soybean carryout to 215 mil bu. This was due to a drop in the crush. China's soybean buying to date is behind pace to reach the USDA's goal. Some now estimate their imports closer to 86.0, versus the USDA's 90.0. It is estimated that 250 million Chinese are in covid lockdown or 17% of the economy. The USDA dropped the U.S. 2022/23 soybean carryout to 230 mil bu from 280 due to lower acres. The USDA estimated Brazil's 2023 soybean crop at 149.0 mmt versus 126.0 this past year and Argentina at 51.0 mmt versus 44.0 mmt this past year.

The USDA estimated the U.S. 2022/23 wheat carryout at 639 mil bu. The higher U.S. crop offset an increase in exports. The USDA estimated world 2022/23 end stocks to be near 267 mmt versus 266 previous and 280 last year. U.S. and Canada 2022 spring wheat crop conditions have improved. There remains uncertainty surrounding the Ukraine war's impact on Black Sea wheat exports. This adds to market volatility and reduces trade volume. This week the EU relaxed sanctions on seven Russian banks. Some feel this was done to try to persuade Russia to open the Nord Stream gas pipeline to the EU. Wheat futures may be oversold but need a spark to rally prices.

Corn Futures - Weekly



Chars from QST

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

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Live Cattle

The United States is known for its grain fed choice cattle and cattle buyers in June proved it. June 2022 had a split between the Southwest and Midwest cattle marketing. It is normal to have a cash difference between cattle fed in the Southwest and the Midwest from $2.00/cwt to $4.00/cwt with higher prices in the Midwest. But during June 2022 the spread was uncommonly wide as the demand from packers increased for higher grading heavier cattle fed in the

Midwest. While the cash spread increased, live cattle futures mostly overlooked the strength in the cash cattle market. Throughout June, cash cattle prices in Texas, Oklahoma and New Mexico traded in a tight range from $136.00/cwt to $138.00/cwt and cash cattle in Iowa, Minnesota and Nebraska sold from $140.00/cwt to $142.00/cwt in the beginning of June to average $148.00/cwt in the last week of June with high grading cattle selling up to $150.00/cwt and as high as $155.00/cwt. The difference of $10.00/cwt to $15.00/cwt was very unusual.

By April and into May 2022 the average grading percent and cattle weights were dropping as feedlots pushed cattle to slaughter to reduce feeding high priced grain. Beef buyers, especially buyers that contract beef expected beef to meet the grade and weights they purchased on contracts. To alleviate the problem of too many select and low choice lighter cattle and not enough high grading choice and prime cattle, buyers began paying premium prices to Midwest feedlots to keep cattle on feed longer.

At the same time, June 2022 live cattle futures traded at the lower cattle prices of the Southwest. June live cattle began the month at a discount to cash prices. On May 31 June live cattle settled at $130.52/cwt, moved to $138.02, on June 17 fell to $134.95 on June 23 and closed the month on June 30 at $138.00/cwt. With the unusual cash price paid in the Midwest, there was no reason to deliver.

Live Cattle Futures - Weekly

Lean Hogs

Long-Covid is a term for the lasting complications after becoming ill from Covid-19. For some people two years after the initial illness of Covid-19 total recovery hasn't happen. The same can be said for the U.S. hog industry. The liquidation of hogs, breeding gilts and sows along with the severe drop in hog prices in March through June of 2020 caused a long-Covid affect for hogs into June 2022 and with expectations into 2023. To add to the long term effects of Covid-19 devastation on hogs, high feed prices in 2021 and escalating prices in February 2022 with the invasion of Ukraine added to high grain prices and the problem of the decreasing U.S. hog herd.

The drop in hogs for slaughter kept hog prices high in 2022 and June 2022 was no exception. By June 30 the year to date U.S. federal hog slaughter was down 4.2% compared to first six months of 2021. According to the USDA, the year to date slaughter was down 2,712,000 hogs.

The CME lean hog index on June 1, 2022 was $105.03/cwt. By June 15, 2022 it was up to $108.75/cwt and June 30, 2022 at $110.70/cwt.

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 fell to new lows for the move in June as Federal Reserve officials discussed a faster timetable for raising interest rates this year. The Federal Open Market Committee at its June 15 policy meeting increased its target interest rate by 75 basis points, which was the most since 1994 and Federal Reserve Chairman Powell signaled a similar move could come at the July 27 meeting.

However, stock index futures advanced recently on the growing belief that the Federal Open Market Committee is becoming less hawkish. According to financial futures markets, there is now a greater probability that the Federal Open Market Committee will hike its fed funds rate by

75 basis points at the July 27 meeting. Last week there was close to a 100% chance that the Fed would hike by 100 basis points.

Most economic reports are coming in weaker than expected. For example, June existing home sales were 5.120 million when 5.395 million were expected.

The rate of inflation and Fed policy remain the key drivers to this market.

S&P 500 Futures - Weekly

U.S. Dollar Index

The U.S. dollar index advanced to a 20-year high as interest rate differential expectations drove the greenback higher. Most of the strength was linked to Federal Reserve officials indicating a readiness to take more aggressive steps to bring inflation under control as most inflation measures have come in hotter than expected.

The Federal Reserve is likely to continue to hike interest rates this year despite signs that growth in the U.S. economy is slowing. According to the Atlanta Fed's GDPNow model estimate for real GDP, growth in the second quarter of 2022 has been reduced to negative 1.6%.

In addition, the greenback has been supported by a flight to quality flow of funds in light of the ongoing geopolitical tensions.

The Federal Reserve is likely to hike interest rates more than other major central banks. Interest rate differential expectations remain supportive to the U.S dollar index.

Euro Currency

The euro currency declined to the lowest level in 20 years, falling towards parity against the U.S. dollar. Pressure on the euro is linked to a bigger discrepancy between the European Central Bank and Federal Reserve policies, economic and political concerns, which could make it more difficult for the European Central Bank to tighten monetary policy.

Most economic reports have come in weaker than predicted. The ZEW Indicator of Economic Sentiment for Germany tumbled to -53.8 in July from -28 in June, which is the lowest level since December 2011 and well below market expectations of -38.3. The current conditions subindex also deteriorated sharply to -45.8 from -27.6, missing analysts' forecasts of -34.5.

Currently, the fundamentals are bearish on balance for the currency of the euro zone and lower prices are likely over the near-term, including a decline to below parity against the U.S. dollar.

Crude Oil

Crude oil prices topped in early June, falling from the 115 area toward their lowest in three months to near 86. Much of the weakness is linked to falling global demand. The recent weekly EIA report that showed U.S. gasoline demand is struggling at lows around 8.7M bpd, which is not much better than in mid-2020 when Covid-19 was in full force and many people were not even leaving their homes. High gas prices are keeping people off the road. Reduced risk appetite is also putting downward pressure on crude oil as investors begin to adjust positions ahead of a Federal Open Market Committee meeting on July 27.

Risk sentiment has turned negative and lower prices are likely for crude oil futures.

Crude Oil Futures - Weekly

Gold

Gold futures have trended lower since mid-April due to the sharply higher U.S. dollar and the hawkish Federal Reserve. There has been only limited support due to the precious metal's safe-haven status in light of ongoing geopolitical uncertainties.

Some of the fundamentals are beginning to turn more favorable. There are indications that central banks may be less hawkish than many analysts expect later this year, including the Federal reserve, in response to slower global economic growth, which is long-term supportive to the price of gold.

Gold Futures - Weekly

Charts from QST

Support and Resistance

Grains

September 22 Corn

Support 5.75 Resistance 6.30

September 22 Soybeans

Support 13.25 Resistance 14.00

September 22 Chicago Wheat

Support 7.50 Resistance 8.50

Livestock

August 22 Live Cattle

Support 132.00 Resistance 140.50

August 22 Lean Hogs

Support 104.25 Resistance 120.00

Stock Index

September 22 S&P 500

Support	3900.00	Resistance	4050.00

September 22 NASDAQ

Support	12150.00	Resistance	13000.00

Energy

September 22 Crude Oil

Support	85.50	Resistance	101.00

September 22 Natural Gas

Support	6.500	Resistance	8.500

Metals

August 22 Gold

Support	1690.0	Resistance	1770.0

September 22 Silver

Support	18.30	Resistance	19.80

September 22 Copper

Support	3.1200	Resistance	3.4400

Currencies

September 22 U.S. Dollar Index

Support	106.200	Resistance	109.150

September 22 Euro Currency

Support	.99800	Resistance	1.03400

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