ADM Investor Services, Inc.

Monthly Commodity Futures Overview
February 2023 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 **February 16, 2023.** This report is intended to be informative and does not guarantee price direction.*

The February USDA report held few surprises for the market. After the report, corn, soybeans and wheat prices traded mixed. May soybean futures rallied from 15.00 to 15.46, then dropped to 15.10. May soymeal traded between 465-488. May soyoil traded between 50.94-61.97. May corn rallied from 6.67 to 6.84 and May Chicago wheat traded from 7.59 to 8.07 and then back to 7.73.

In February, the USDA left the U.S. 2022/23 corn carryout near 1,267. The USDA dropped the U.S. 2022 ethanol use 25 mil bu. The USDA left the Brazil corn crop at 125.0 mmt but lowered the Argentina crop from 52.0 to 47.0 and left China corn imports at 18.0 mmt. The USDA raised Ukraine corn exports from 20.5 to 22.5 but there are new concerns about whether or not Russia will extend the Ukraine export corridor deal that expires March 19, if Russia sanctions are not lifted.

The USDA increased the U.S. 2022/23 soybean carryout to 225 mil bu due to the lower crush. The USDA kept the Brazil soybean crop at 153.0 mmt vs 129.5 last year but lowered the Argentina crop from 45.5 to 41.0 and kept China soybean imports at 96.0, versus 91.5 last year.

The USDA left the U.S. 2022/23 wheat carryout near 568 mil bu. The USDA estimated world 2022/23 end stocks near 269.3 mmt, versus 276.7 last year. The Russian wheat crop was raised to 92.0 versus some private estimates of 104.0 and raised Australia to 38.0. Talk of increased India wheat exports offset a slowdown in the Russia export pace. Russia is still offering lower summer wheat export prices versus the U.S.

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

When the December holidays were over, boxed beef prices in January 2023 fell as consumers backed off buying high priced beef, primarily roasts like prime and choice rib roasts. The rally in beef that began in October 2022 through the end of December 2022 was led by rib sections that drove boxed beef higher, but it ended as the new year began. On December 30, 2022 primal rib sections were $544.77/cwt and the choice composite beef price was $281.98/cwt. By January 16, 2023 primal rib sections were priced at $491.32/cwt and choice beef was $277.43/cwt. Rib sections ended January dropping to $441.72/cwt with choice beef falling to $268.10/cwt. Lower boxed beef prices caused cattle prices to drift down.

February 2023 live cattle futures peaked on December 30, 2022 at $159.17/cwt and settled at $158.85/cwt and slowly worked lower to January 19 at $155.37/cwt, the day before the January 2023 Cattle on Feed Report. Into the end of January, futures moved off the lows as traders expected fewer available cattle in 2023. February live cattle futures on January 31, after the bullish Cattle on Feed Report estimating 8.0% fewer placements, closed out the month at $158.85/cwt.

Live Cattle Futures - Weekly

Lean Hogs

Lean hog futures topped on December 27, 2022 and went into a steep decline in January 2023. February 2023 lean hogs, the lead month, from the high on December 27 at $91.60/cwt to January 31, 2023 fell to $73.55/cwt. The hog market dropped as pork prices declined and from a negative Hogs and Pigs report. Lean hog futures traders were surprised the last week of December 2022 when the USDA Hogs and Pigs report estimated producers kept hogs for breeding at 100% and farrowing intentions were estimated at 100 to 101%. Hog prices also fell as pork prices dropped. On December 30, 2022 the CME pork index was $89.30 and by January 31 it dropped to $79.83/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

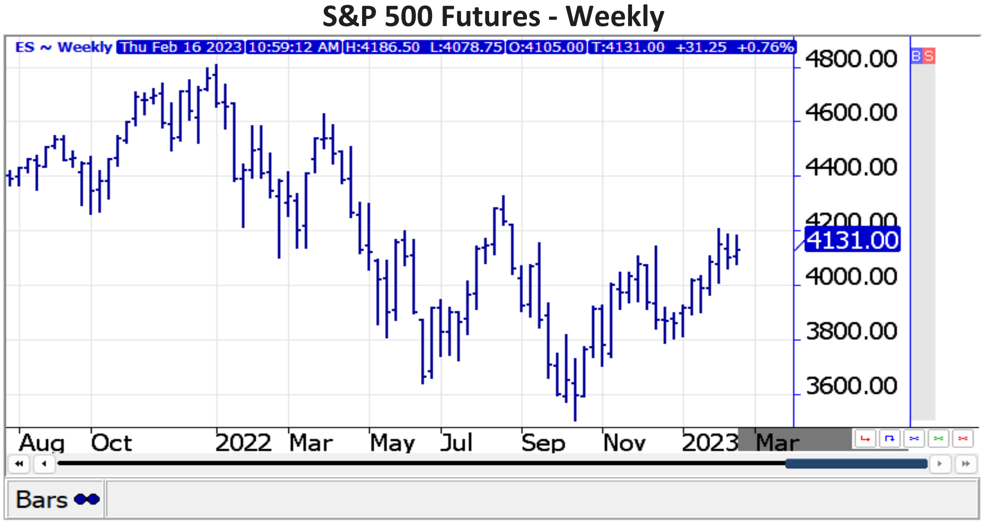
S&P 500 futures advanced to a six-month high in early February on the belief that the Federal Open Market Committee could moderate its hawkish monetary policy later this year. However, futures declined more recently on prospects of a more hawkish Fed on news that January nonfarm payrolls increased 517,000 when up 185,000 was anticipated.

There was some pressure on futures when, according to Challenger, Gray & Christmas, Inc., U.S. based employers announced there were 102,943 job cuts in January of 2023, which was the most since September of 2020, and compared to 43,651 in December. This was the highest January total since 2009.

The technicals for stock index futures remain supportive. The bottom for S&P 500 futures took place on October 13, 2022 when there was a one-day reversal pattern.

Futures are performing well for the news.

S&P 500 Futures - Weekly



U.S. Dollar Index

The U.S. dollar index fell to a 10-month low earlier this month. Pressure on the greenback was linked to bearish U.S. producer price index and retail sales reports. The greenback was also undermined by news that the January Empire State manufacturing index was -32.9 when -8.1 was predicted. These reports suggested the Fed may not be as hawkish as their rhetoric indicated.

This all changed when the stronger than expected January employment numbers were released and the U.S. dollar quickly advanced. There was some support for the U.S. dollar on news that The National Federation of Independent Business small business optimism index in the U.S. moved up to 90.3 in January of 2023 from a six-month low of 89.9 in December, although it is still below its 49-year average of 98. There was also support for the greenback on news that the January consumer price index increased 0.5% when up 0.4% was expected.

Interest rate differentials are neutral for the U.S. dollar index.

Euro Currency

The euro currency advanced to a 10-month high in early February due to mostly stronger than expected economic reports. However, there was some pressure on the euro on news that annual wholesale price inflation in Germany eased to a 20-month low of 10.6% in January of 2023 from 12.8% in December 2022.

Economic sentiment in the euro zone improved more than expected in January. The euro zone's economic sentiment indicator, which is an aggregate measure of business and consumer confidence, increased to 99.9 in January from an upwardly revised 97.1 in December. This marks the highest level since June. Economists expected the index to come in at 96.8. The euro zone economy expanded marginally in the fourth quarter of 2022. Gross domestic product grew 0.1% from October to December compared with the previous quarter.

The European Commission said the German economy will grow slightly this year, revising higher its previous prediction for a 0.6% contraction. The European Commission is now estimating 0.2% gross domestic product growth for Europe's biggest economy in 2023.

A European Central Bank official said the ECB could increase interest rates above 3.5% and likely will not cut them this year as the bank moves to bring inflation back to its target. Loans to households in the euro area increased 3.8% year-on-year in December, slowing for a fourth consecutive month to mark the smallest gain since May of 2021. Credit to companies advanced 6.3%, which is much lower than 8.3% in November.

Interest rate differentials are now only neutral for the euro currency.

Crude Oil

Since December, March 23 crude oil futures have traded in a range between 70.56 and 83.14.

Concerns about sluggish near-term demand, especially in the US, prompted investors to unwind some long positions after a rally that saw prices hit a peak of almost $81 on February 13. The latest EIA report showed that U.S. crude inventories jumped by 16.283 million barrels to 842.973 million last week, which is the highest level since early October, indicating weakening demand.

In addition, prices have been under pressure after the U.S. government announced plans to release 26 million barrels of oil from strategic reserves. Worries about tight supplies also eased after the EIA said it expected record March production from the seven largest US shale basins. However, limiting the downside, the IEA raised its forecast for 2023 oil demand growth and said restrained OPEC+ output could result in a supply deficit in the second half of 2023.

Futures are likely to trade in a broad sideways range with breakouts failing in both directions.

Crude Oil Futures - Weekly

Gold

April gold futures bottomed at 1836.60 on February 16, which is a level not seen in more than a month. Selling pressure was linked to a stronger U.S. dollar and a pickup in Treasury yields after hotter than expected inflation data increased concerns about a more aggressive Federal Reserve. The producer price index increased 0.7% over the previous month in January when a gain of 0.4% was anticipated. This report followed stronger than predicted retail sales data and a hotter-than-expected consumer price index.

Gold Futures - Weekly

Charts from QST

SUPPORT AND RESISTANCE

Grains

May 23 Corn

Support	6.60	Resistance	6.90

May 23 Soybeans

Support	14.85	Resistance	15.45

May 23 Chicago Wheat

Support	7.50	Resistance	8.00

Livestock

April 23 Live Cattle

Support	159.00	Resistance	168.00

April 23 Lean Hogs

Support	77.00	Resistance	89.00

Stock Index

March 23 S&P 500

Support	4050.00	Resistance	4220.00

March 23 NASDAQ

Support	12200.00	Resistance	12700.00

Energy

April 23 Crude Oil

Support	73.50	Resistance	82.90

April 23 Natural Gas

Support	2.400	Resistance	2.835

Metals

April 23 Gold

Support	1825.0	Resistance	1930.00

May 23 Silver

Support	21.20	Resistance	23.20

May 23 Copper

Support	3.9800	Resistance	4.2100

Currencies

March 23 U.S. Dollar Index

Support	102.100	Resistance	104.600

March 23 Euro Currency

Support	1.06800	Resistance	1.09000

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