



## Monthly Commodity Futures Overview March 2023 Edition

### Grain Market Outlook for the United States and South America by Steve Freed, Vice President of Grain Research, ADM Investor Services

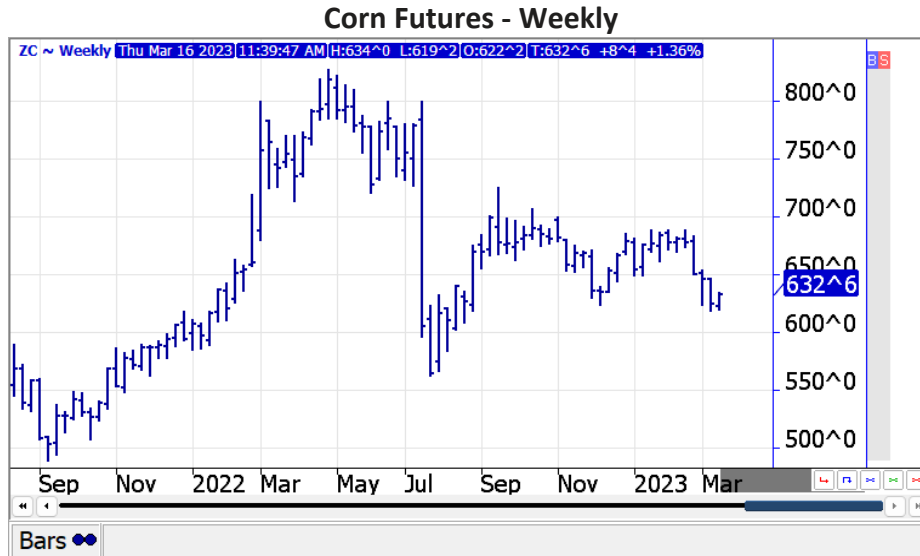
*The following report is an overview of the US and South American economic, political and crop situations as of **March 16, 2023**. This report is intended to be informative and does not guarantee price direction.*

In March, the USDA increased the U.S. corn carryout, lowered the soybean carryout and left the wheat carryout unchanged. After the report, corn, soybeans and wheat prices traded mixed. May soybean futures dropped from 15.28 to 14.78, and May soymeal traded down from 492 to 472. May soyoil traded down from 59.65 to 54.99. May corn rallied from 6.61 to 7.06, and May Chicago wheat prices increased from 6.61 to 7.06. In March, the USDA increased the U.S. 2022/23 corn carryout to 1,342. The USDA dropped export use 75 mil bu. The USDA left the Brazil corn crop at 125.0 mmt but lowered the Argentina crop from 47.0 to 40.0 and left China corn imports at 18.0 mmt. The USDA raised Ukraine corn exports from 22.5 to 23.5 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 lowered the U.S. 2022/23 soybean carryout to 210 mil bu due to higher exports. The USDA kept the Brazil soybean crop at 153.0 mmt vs 129.5 last year but lowered the Argentina crop from 41.0 to 33.0 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 267.2 mmt, versus 271.4 last year. The Russian wheat crop was left at 92.0 versus some private estimates of 100.0 and raised Australia to 39.0. Russia is still offering lower summer wheat export prices versus the U.S.

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

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**Live Cattle**

Cattle rallied into the December 2022 holidays, moved sideways in January 2023 and rallied throughout February. When the high beef prices for the holidays ended in December 2022, packer demand and cattle prices went into the doldrums in the first month of the year. However, February 2023 had consumers shopping again. At the same time, February had fewer cattle slaughtered with cattle weights dropping, which is a combination for better prices. Choice boxed beef on February 1, 2023 was \$264.76/cwt, by February 15 it was at \$275.72/cwt and by February 28 choice boxed beef was at \$289.75/cwt.

During February 2023 year-to-date federal livestock slaughter was down close to 2.0%. The 5-day average dressed steer weights on February 1 started out at 946 pounds, by February 15 at 935 pounds and February 28 weights were at 925 pounds. As weights went down, and slaughter dropped, boxed beef prices increased, and cash cattle prices improved. At the beginning of February, the average cash steer price was \$157.41/cwt and dressed steers were \$247.71/cwt and by February 28, the average cash steer price was up to \$161.69/cwt and dressed steers averaged \$260.98/cwt.

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### Live Cattle Futures - Weekly

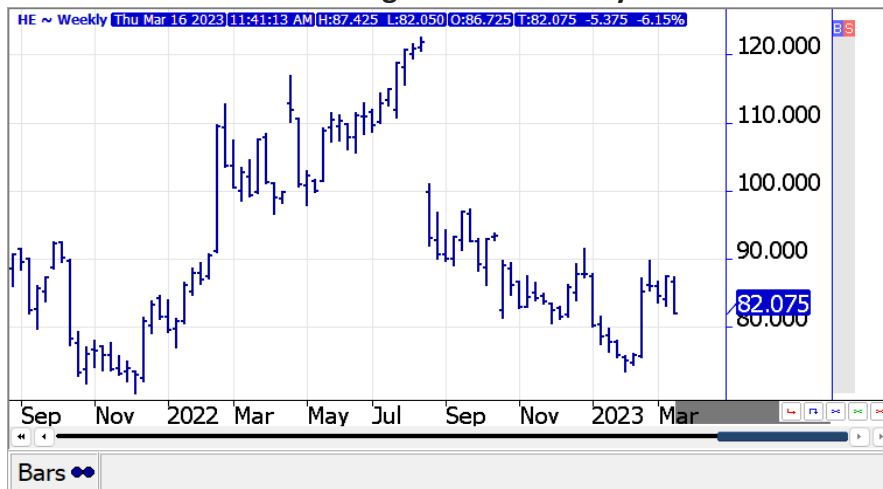


### Lean Hogs

After an \$18.00/cwt fall in February 2023 lean hog futures in January 2023, on February 1 the contract bottomed at \$73.55/cwt. By February 14 February lean hogs were \$75.67/cwt, converging with the CME lean hog index. Speculative trading pushed futures to the highs at the first of the year, but cash fundamentals drove the price to where cash prices and the futures price converged.

Pork prices improved in February. On February 1, the CME pork index was \$79.87/cwt and on February 28 it had moved to \$84.95/cwt. With half the month of February 2023 trading over on February 14, the April 2023 lean hog contract became the lead month. On February 14, 2023 April 2023 lean hogs settled at \$87.25/cwt, \$11.57/cwt above where February futures settled. On February 28 April futures settled at \$85.17/cwt with the CME lean hog index at \$78.58/cwt. Spread trading is an integral part with lean hogs speculators.

### Lean Hog Futures - Weekly



Charts from QST

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

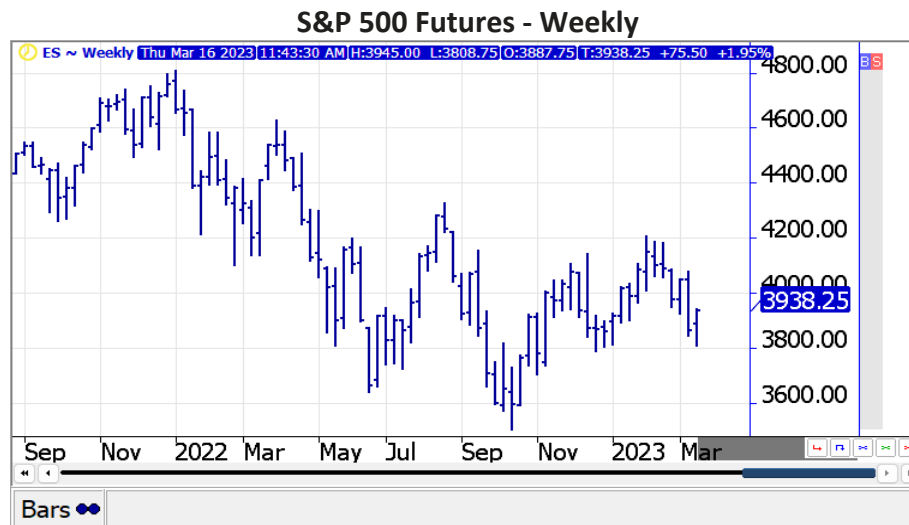
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### Stock Index Futures

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 Federal Reserve. Stock index futures fell sharply after Federal Reserve Chair Powell in his testimony to the Senate Banking Committee and the House Financial Services Committee warned the central bank may need to re-accelerate interest rate hikes. This was a notably different message after just less than five weeks prior when Powell on February 1 declared he could now say the “disinflationary process” had started.

There were additional declines for futures in light of concerns over the health of the banking sector. However, stock index futures were able to find support when it was announced that U.S. regulators planned to backstop depositors and provide a new lending program to financial institutions.



### U.S. Dollar Index

The U.S. dollar index advanced to a four-month high on March 8 due to expectations of a more hawkish Federal Reserve, including the widely held view that the Federal Open Market Committee would hike its fed funds rate by 50 basis points at its March 22 policy meeting. However, there has been a sudden shift in expectations due financial pressures on the banking

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system. Financial futures markets are now suggesting there is a significant chance the central bank increase its fed funds rate by only 25 basis points and a lesser probability of no change to interest rates in March.

The U.S. dollar weakened against all major currencies as the Federal Reserve's move to support the banking system raised questions about the pace of future interest rate increases. There is speculation that the Federal Reserve could take a less aggressive approach to policy tightening to avoid risks to the financial system.

## **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 pressure on the euro later in February as some economic reports came in weaker than expected. The German economy shrank 0.4% on quarter in the last quarter of 2022, which is much worse than the initial estimate of a 0.2% decline. This marked the first drop in GDP in almost two years.

The euro zone's economic sentiment indicator, which is an aggregate measure of business and consumer confidence, decreased slightly to 99.7 in February from a revised 99.8 in January, according to data from the European Commission. This reading missed the 100.9 consensus forecast from economists. Loans to households in the euro area increased 3.6% year-on-year in January of 2023, slowing for a fifth consecutive month to mark the smallest gain since March of 2021. Lending for household purposes was up 3.9%, which was well below 4.4% in December, and credit for consumer purposes also slowed. In addition, credit to companies increased 6.1%, which was less than the 6.3% increase in the previous month.

The European Central Bank at its policy meeting on March 16 increased its deposit rate by 50 basis points to 3.0% from 2.5%. Most analysts were predicting a 50 basis point hike with a minority expecting only a 25 basis point increase.

## **Crude Oil**

April crude oil futures fell under the December low of 70.86. Concerns about sluggish near-term demand, especially in the U.S., caused investors to unwind some long positions after a rally that took prices to a peak of almost \$81 on February 13. The latest EIA report showed U.S. crude inventories jumped by 16.283 million barrels to 842.973 million, which was the highest level since early October and indicated weakening demand.

In addition, there was pressure on prices after the U.S. government announced plans to release 26 million barrels of oil from strategic reserves. Also, worries about tight supplies eased after the EIA said it expected record March production from the seven largest U.S. shale basins. Limiting the downside was news that the IEA raised its forecast for 2023 oil demand growth and restrained OPEC+ output could cause a supply deficit in the second half of this year.

Futures are likely to trend lower in light of increasing prospects of a weakening global economy.

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### Crude Oil Futures - Weekly



### Gold

April gold futures bottomed at 1810.80 on February 28. 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. Since those lows were registered, gold prices moved higher to above \$1,940, which is close to levels not seen in six weeks, as the risk-off mood continues, and investors remain concerned about the recent banking turmoil. In addition, there was support on the belief that the U.S. Federal Reserve will be less hawkish. Earlier this month analysts believed the Federal Reserve was on track for a 50 basis point hike in its fed funds rate at the March 22 policy meeting. However, there has been a shift in expectations. Financial futures markets are now suggesting the Federal Open Market Committee will hike its fed funds rate by 25 basis points, and there is a smaller chance the central bank may make no change in interest rates. A less hawkish Federal Reserve is a tailwind that could push gold prices higher.

### Gold Futures - Weekly



All Charts from QST

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## SUPPORT AND RESISTANCE

### Grains

#### **May 23 Corn**

Support	6.20	Resistance	6.60
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#### **May 23 Soybeans**

Support	14.75	Resistance	15.15
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#### **May 23 Chicago Wheat**

Support	6.60	Resistance	7.50
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### Livestock

#### **April 23 Live Cattle**

Support	153.50	Resistance	168.50
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#### **April 23 Lean Hogs**

Support	78.00	Resistance	89.00
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### Stock Index

#### **June 23 S&P 500**

Support	3795.00	Resistance	4100.00
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#### **June 23 NASDAQ**

Support	11960.00	Resistance	12980.00
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### Energy

#### **May 23 Crude Oil**

Support	61.00	Resistance	69.20
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#### **May 23 Natural Gas**

Support	2.200	Resistance	2.710
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## Metals

### **April 23 Gold**

Support	1910.0	Resistance	2015.00
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### **May 23 Silver**

Support	21.50	Resistance	23.75
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### **May 23 Copper**

Support	3.7600	Resistance	4.0200
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## Currencies

### **June 23 U.S. Dollar Index**

Support	102.100	Resistance	105.000
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### **June 23 Euro Currency**

Support	1.05500	Resistance	1.08550
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Any questions or comments on this special monthly outlook, send them to [sales@admis.com](mailto:sales@admis.com).

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