



## Monthly Commodity Futures Overview MAY 2023 Edition

### Grain Market Outlook for the United States and South America by Steve Freed, Senior Ag Consultant, contracted by ADM Investor Services

*The following report is an overview of the US and South American economic, political and crop situations as of **May 26, 2023**. This report is intended to be informative and does not guarantee price direction.*

In May the USDA raised the U.S. corn carryout 75 mil bu, soybean carryout 5 mil bu and left the U.S. wheat carryout unchanged. In its first 2023/24 U.S. and world supply and demand estimates, the USDA estimated U.S. 2023 corn crop at 15,265 mil bu versus 15,120 expected and 13,730 last year. Feed and residual was estimated at 5,650 mil bu vs 5,275 this year. The USDA usually raises residual if the crop is larger. The USDA estimated U.S. ethanol at 5,300 versus 5,250 this year. Exports were estimated at 2,100 versus 1,775 last year. This left the U.S. 2023/24 carryout at 2,222 versus 1,417 this year. The USDA raised the world 2023/24 corn carryout to 312.9 mmt vs 297.4 this year. The USDA estimated the 2023 U.S. corn crop at 387.7 mmt versus 348.7 this year. Brazil was 129.0 versus 130.0 and Argentina 54.0 versus 37.0, the China crop at 280.0 versus 277.2 and imports at 23.0 versus 18.0.

In its first 2023/24 U.S. and world supply and demand estimates, the USDA estimated the U.S. 2023 soybean crop at 4,510 mil bu versus 4,494 expected and 4,276 last year. The crush was estimated at a record 2,310 mil bu vs 2,220 this year. The USDA estimated exports at 1,975 versus 2,015 last year. This left the US. 2023/24 carryout at 335 versus 215 this year. The USDA raised the world 2023/24 soybean carryout to 122.5 mmt vs 101.0 this year. The USDA estimated the 2023 U.S. soybean crop at 122.7 mmt versus 116.3 this year. Brazil was at 163.0 versus 155.0 and Argentina was 48.0 versus 27.0. China's soybean imports were 100.0 versus 98.0.

In its first 2023/24 U.S. and world supply and demand estimates, the USDA estimated the U.S. 2023 wheat crop at 1,659 mil bu versus 1,789 expected and 1,650 last year. Food was estimated at 977 mil bu vs 975 last year. The USDA estimated exports at 725 versus 775 last year. This left the U.S. 2023/24 carryout at 556 versus 598 this year. The USDA dropped the world 2023/24 wheat carryout to 264.3 mmt vs 266.2 last year. The USDA estimated the 2023 Russia crop at 81.5 versus 92.0, the EU at 139.0 versus 134.3, Canada 37.0 versus 33.8 and Australia at 29.0 versus 39.9.

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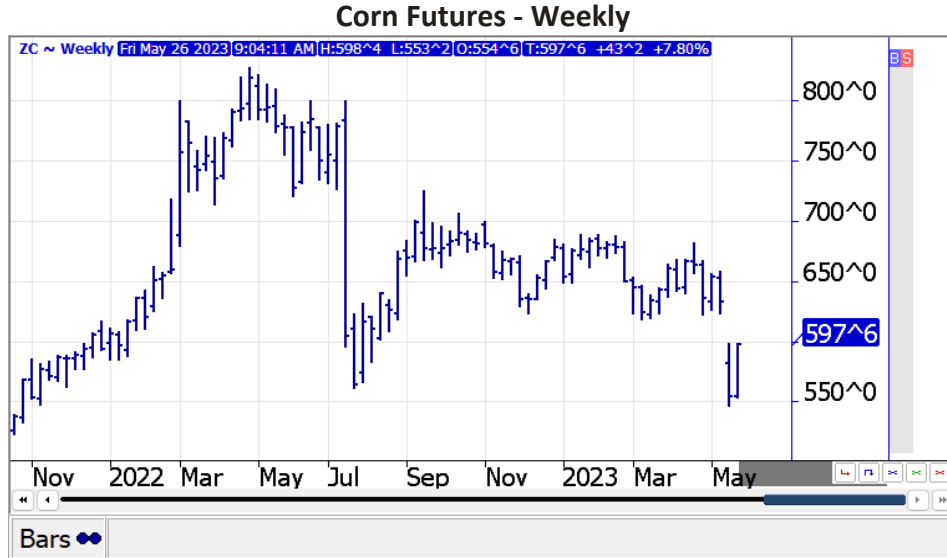


Chart from QST

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

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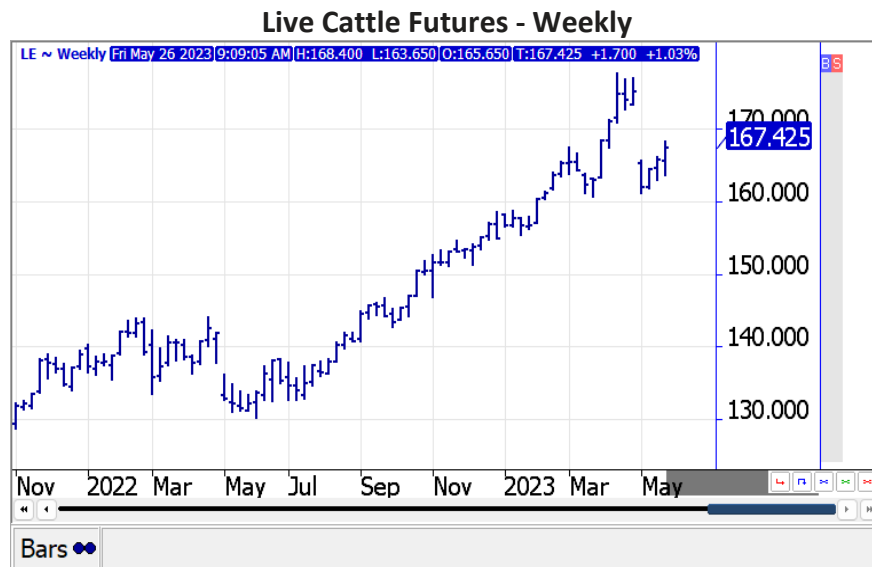
**Live Cattle**

Throughout 2023 USDA Cattle on Feed Reports have shown there are fewer cattle on feed and lower placements, and it is exactly what happened pushing April 2023 live cattle to new contract highs.

	<b>ON FEED</b>	<b>PLACEMENTS</b>
January 2023	-3%	-8%
February 2023	-4%	-4%
March 2023	-3%	-7%
April 2023	-3%	-1%

(2023 compared to 2022)

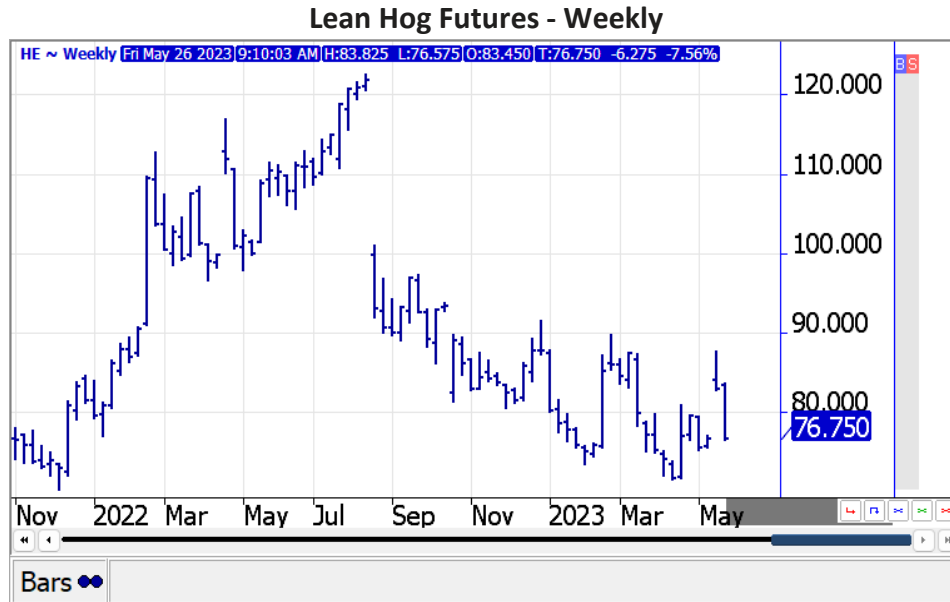
By the end of April 2023, year to date cattle slaughter was down 3.2% compared to the same period in 2022. With fewer cattle, packer demand increased as did prices. After a small decline in March after making contract highs, April 2023 live cattle futures began to rally again on March 24, moving from \$163.00 to \$177.70, the extreme high on April 13, a new contract high for live cattle futures. On April 28 April live cattle settled at \$175.17. The previous contract high for live cattle was \$171.10 on November 21, 2014.



## Lean Hogs

Hog prices in April 2023 were in a continuation of the steep decline that began December 28, 2022. From the close on December 28 to settlement price on April 17, 2023, April 2023 lean hogs lost \$24.70. In April, the April 2023 lean hog contract dropped \$3.37 of the total decline. Hog slaughter in the U.S. year to date was up 1.7%, which was one reason for the steep decline as well as increasing world production and slaughter in China and Brazil. Extremely high hog prices in 2021 and 2022 encouraged global hog production along with China's goal to increase and to eventually become self-sufficient.

U.S. pork exports in 2023 have been good with first quarter total U.S. pork exports up 14%, but it is compared to the first quarter 2022 exports that were down 20%. In 2021 U.S. exports were 782,620 MT and first quarter in 2022 were down to 629,928 MT. First quarter 2023 exports were 716,691 MT and with the additional hogs in the U.S. the increase in 2023 is simply making up for the partial loss in 2022. With the additional global hog production in 2023 and increasing pork exports from Brazil up close to 4.9%, the decline in hog prices becomes more relevant.



*Charts from QST*

## 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 and NASDAQ futures advanced to new highs for the year despite a variety of bearish news, along with a hawkish Federal Reserve. Neel Kashkari, president of the Federal Reserve Bank of Minneapolis, said interest rates may have to increase from here and that he does not want to say that they are done hiking rates. In addition, there has been only temporary pressure on futures due to the debt ceiling impasse and recent strains in the international financial system.

Some economic reports have come in stronger than expected. Nonfarm payrolls in April were up 253,000 when an increase of 178,000 was expected, and private payrolls increased 230,000, which compares to the anticipated gain of 153,000. The unemployment rate was 3.4% when 3.6% was predicted and average hourly earnings were up 0.5% when an increase of 0.3% was estimated.

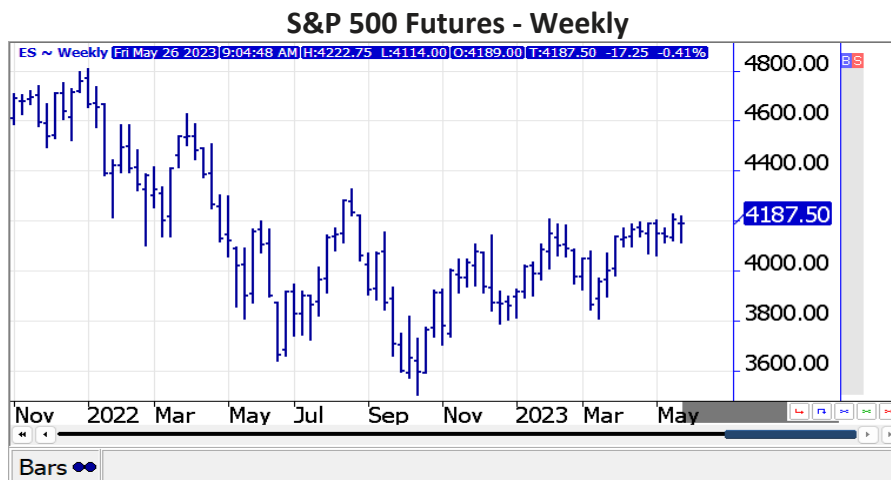
Bearish news from the International Monetary Fund was also ignored. The IMF released its weakest global growth expectations report for the medium term in over 30 years. The IMF expects global growth of 2.8% this year and 3.0% in 2024, which is slightly below its estimates

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published in January. The new estimates are a reduction of 0.1 percentage point for both this year and next year.

The consensus outlook for stock index futures appears to be on balance bearish, which from a contrarian point of view, suggests there may be more upside in the short term.



### U.S. Dollar Index

The U.S. dollar fell to a two-month low in April on the belief that the Federal Open Market Committee could moderate its hawkish monetary policy later this year. Much of the selling at that time was linked to evidence of a moderating inflation outlook. The March consumer price index increased 0.1% when a 0.3% gain was expected. The March producer price index declined 0.5% when unchanged was anticipated, and the producer price index, excluding food and energy, fell 0.1% when an increase of 0.3% was predicted.

Hawkish comments from Federal Reserve officials have supported the U.S. dollar more recently. However, gains in the greenback will probably be short-lived, since interest rate differentials are likely to undermine the U.S. dollar in the longer term.

### Euro Currency

The euro currency peaked on April 26 and has remained under pressure in May.

The German economy was in recession in early 2023. Revised German gross domestic product data revealed a 0.3% contraction in the first quarter of the year, which followed a decline of 0.5% in the fourth quarter of 2022. A recession is traditionally defined as two successive quarters of contraction. In spite of this, it is still anticipated that the European Central Bank will proceed with interest rate increases this year.

The euro currency trended lower despite comments from Governing Council member Martins Kazaks when he said investors should not count on the European Central Bank ending interest

rate increases in July. In addition, European Central Bank board member Schnabel expressed the view that the central bank should continue its fight to limit inflation "with determination," while ECB President Lagarde emphasized that policymakers will take necessary steps to overcome inflationary pressures.

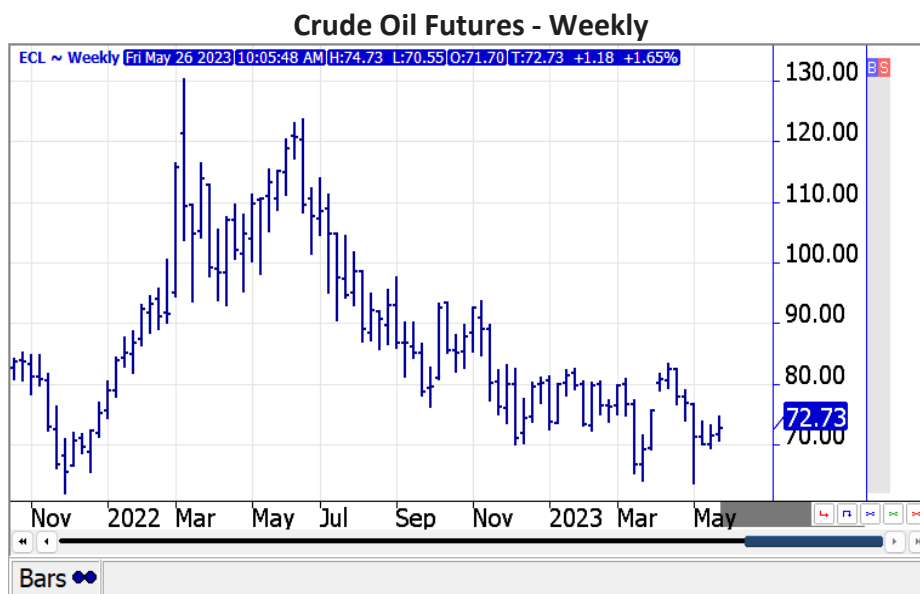
Rhetoric has been hawkish despite news that the annual producer inflation in Germany eased for the seventh consecutive month to a 25-month low of 4.1% in April 2023 when analysts were expecting 4.0%. The euro area's annualized consumer price inflation was confirmed at 7.0% in April 2023, which is slightly higher than the previous month's 13-month low of 6.9%. The rate remains significantly above the European Central Bank's target of 2.0%.

### Crude Oil

Crude oil temporarily extended gains as U.S. crude inventories fell. The weekly EIA report saw a huge 12.5 million-barrel drop in U.S. crude oil inventories, which was the largest week-on-week decline since late November. Some analysts believe energy commodities overall will start pushing higher as the summer driving season kicks off. On top of that, the U.S. Department of Energy plans to purchase 3.0 million barrels of crude oil to replenish the Strategic Petroleum Reserve in August.

Despite expectations of a tighter market driven by factors such as seasonal gasoline demand, OPEC+ supply cuts, and increased oil demand from Asia, the risk of a debt default has limited price gains.

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



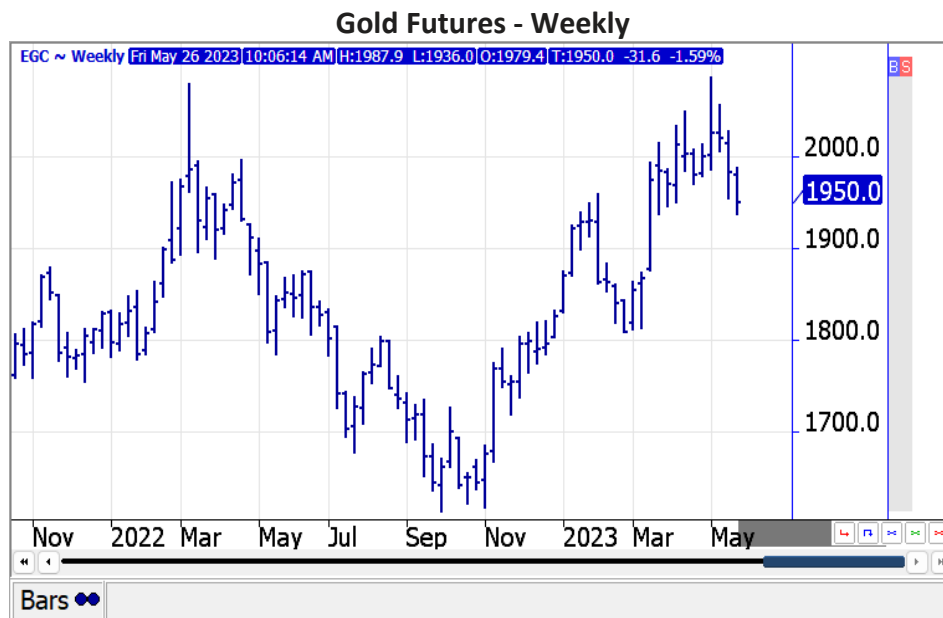
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## Gold

Gold futures declined over \$130 an ounce from the peak hit earlier this month, mainly pressured by the growing belief that interest rates will stay higher for longer. Federal Reserve Bank of St. Louis President James Bullard suggested the possibility of raising rates by another half-point this year, while Minneapolis Federal Reserve President Neel Kashkari described the decision to pause or hike rates in June as a close call. In addition, a stronger U.S. dollar in May contributed to pressure on gold prices.

Some of the selling was limited by the safe-haven component of gold in light of the ongoing debt ceiling impasse. There is declining optimism that a deal to raise the debt ceiling would be reached by June 1.



## SUPPORT AND RESISTANCE

### Grains

#### **July 23 Corn**

Support	5.70	Resistance	6.20
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#### **July 23 Soybeans**

Support	13.25	Resistance	13.75
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#### **July 23 Chicago Wheat**

Support	6.00	Resistance	6.50
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## **Livestock**

### **June 23 Live Cattle**

Support	161.00	Resistance	179.00
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### **June 23 Lean Hogs**

Support	77.00	Resistance	93.00
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## **Stock Index**

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

Support	4050.00	Resistance	4250.00
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### **June 23 NASDAQ**

Support	13400.00	Resistance	14700.00
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## **Energy**

### **July 23 Crude Oil**

Support	63.50	Resistance	75.70
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### **July 23 Natural Gas**

Support	2.280	Resistance	2.750
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## **Metals**

### **August 23 Gold**

Support	1940.0	Resistance	2030.0
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### **July 23 Silver**

Support	22.50	Resistance	24.75
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### **July 23 Copper**

Support	3.4800	Resistance	3.9300
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## **Currencies**

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

Support	103.000	Resistance	104.700
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### **June 23 Euro Currency**

Support	1.06500	Resistance	1.08700
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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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