



Monthly Commodity Futures Overview November 2023 Edition

Grain Market Outlook for the United States and South America by Mark Soderberg, Senior Grain Market Specialist, ADM Investor Services

*The following report is an overview of the US and South American economic, political and crop situations as of **November 14, 2023**. This report is intended to be informative and does not guarantee price direction.*

In November the USDA raised U.S. corn production 170 mil. bu. to a record 15.234 bil. roughly 150 mil. above expectations. The average U.S. yield was raised nearly 2 bpa to 174.9 bpa. Most of the production increase was offset by higher demand as feed usage and exports were raised 50 mil., while usage for ethanol was up 25 mil. Ending stocks are now projected at 2.156 bil., 25 mil. above the average estimate and the highest in five years. We remain skeptical of the USDA's export forecast, which in order to achieve will likely require much lower South American production than what is currently being projected. The U.S. average farm price was cut \$.10 to \$4.85 bu. World stocks for 2023/24 were increased 2.6 mmt to 315 mmt, above expectations of 312 mmt. There were no changes to the South American production forecasts, while Russia's crop was increased 1.4 mmt and Ukraine's was increased 1.5 mmt. Exports from these Black Sea countries were increased a total of 1.6 mmt. There were no changes to China's production or export forecasts. If there is widespread rainfall across the dry areas of Brazil by the end of the month, I suspect December 2023 will challenge \$4.50 support before first notice day.

U.S. soybean production was raised 25 mil. bu. in November to 4.129 bil. vs. expectations for no change. The average U.S. yield rose to 49.9 from 49.6 bpa. There was virtually no change to the usage side of the equation, resulting in ending stocks increasing to 245 mil. bu., 23 mil. above expectations. As expected, old crop soybean oil usage for biofuel production rose 300 mil. lbs. to 12.40 bil. lbs. Other domestic oil uses were cut 186 mil. lbs. to lower stocks to just over 1.6 bil., which is a 9-year low. There were also no changes to the USDA usage forecast for soybean products. While my production and ending stocks estimate was very close to what the USDA came out with, we didn't see a modest shift away from exports to crush that I had expected. I also feel the USDA 23/24 forecast for bean oil usage in biofuel production at only 12.8 bil. lbs. is 1.0 - 1.5 bil. lbs. too low. World stocks for 2023/24 rose to 114.5 mmt, up from 100.3 year ago, in line with expectations. There were no changes to new crop production in South America. However, last

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year's record Brazilian crop was raised another 2 mmt to 158 mmt. Chinese imports for 2023/24 were left unchanged at 100 mmt, while imports for 22/23 were cut 1 mmt to 101 mmt.

U.S. wheat stocks rose 14 mil. bu. to 684 mil. vs. expectations of no change. Imports rose 10 mil. to 145 mil., while food usage was cut 4 mil. bu. By class changes saw SRW +11 mil., HRS +5 mil, HRW + 1mil., and durum -3 mil. The average U.S. farm price fell \$.10 to \$7.20 bu. Global stocks for 2023/24 were steady at just under 259 mmt, slightly above expectations. Noted global production changes were Russia up 5 mmt, Argentina down 1.5 mmt, Brazil down .4 mmt, India down 3 mmt, and Kazakhstan down 1 mmt. Argentina's exports were cut 1.5 mmt, while Ukraine's rose 1 mmt. There was no change to Russia's export forecast of 50 mmt, still the global leader, however domestic usage rose 2 mmt, partially absorbing their higher production.

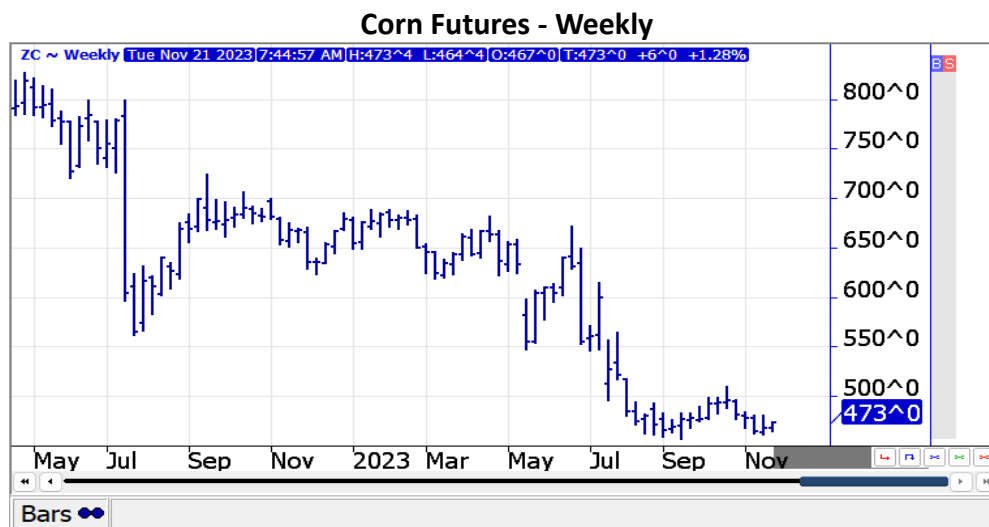


Chart from QST

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

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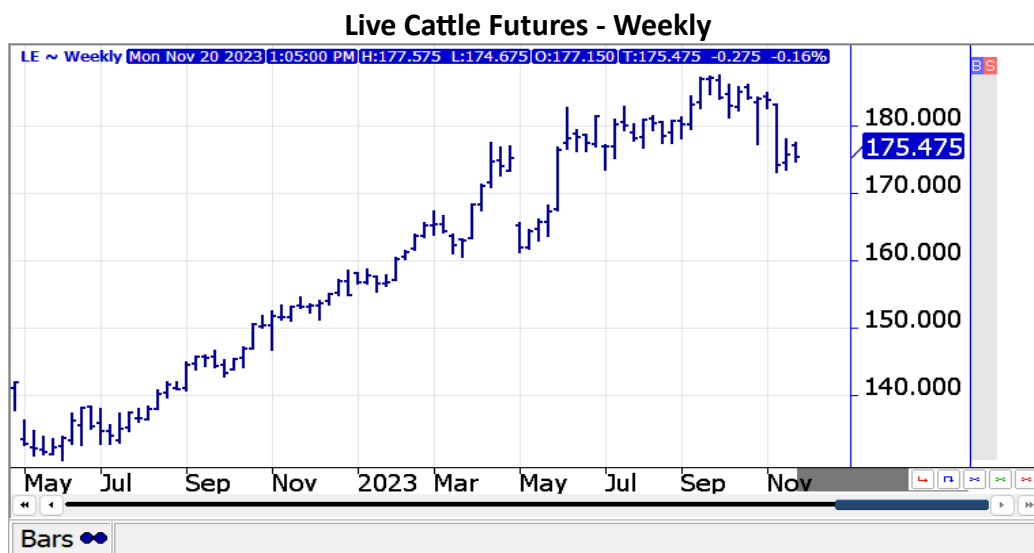
Live Cattle

From the COVID outbreak in 2020 to the severe droughts over the past three years in Western states throughout the Southwest to record breaking high summer temperatures in the Southwest and mid-Plains in 2023, there were significant impacts on cattle on feed inventories. As cattle on feed numbers fell, beef prices went up. By October 31, 2023 year-to-date federal cattle slaughter was down 4.6% from the same period in 2022.

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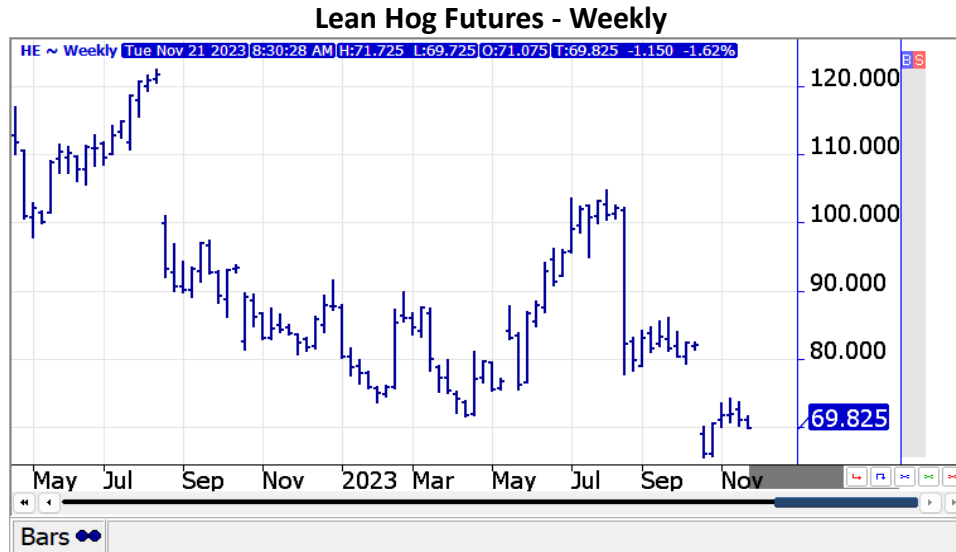
Compared to October 2022, cattle prices and beef prices skyrocketed. On October 31, 2022 average steer prices were near \$150.50, and on October 31, 2023 the average steer price was \$184.50. Fewer cattle also meant less beef. Boxed beef prices moved from \$441.50 for choice and \$336.51 for select on October 31, 2022 to \$532.41 for choice to \$432.59 for select on October 31, 2023. Demand for beef remained strong in October 2023. From October 2, 2023 the CME boxed beef Index went from \$293.60 to \$299.25. Wholesale beef demand began to intensify for products for the end of the year holidays. Primal choice rib sections were up \$13.70 and primal choice loin sections gained \$18.54 in a month during October 2023.



Lean Hogs

From July 2023 through October 2023 lean hog futures traded in a \$7.00 range. October 2023 lean hogs on July 3 settled at \$79.60, then moved up to \$86.00 on July 31, dropped to \$78.17 on August 16, moved up to \$85.77 on September 20 and closed out trading on October 13 in the middle of the range at \$81.97. At the beginning of October 2023, U.S. federal hog slaughter year-to-date was 1,274,000 head above the same period in 2022. By the end of October 2023 the year-to-date slaughter was 1,552,000 head above 2022, which is an increase of 278,000 head in one month.

The hog market was able to absorb part of the expansion in hog supplies with larger pork exports. Compared to 2022, pork exports were up 9.0% with a 15.0% gain in variety meats. But the gain in exports was not enough to add prices to pork. The pork carcass 5-day average price began October at \$97.25, by October 15 it was \$92.63 and by October 31 the price dropped to \$86.81.



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

Stock index futures traded higher in response to the weaker than expected U.S. employment report. The logic is that a weaker economy takes pressure off the Federal Reserve to increase interest rates, which is supportive to stock index futures.

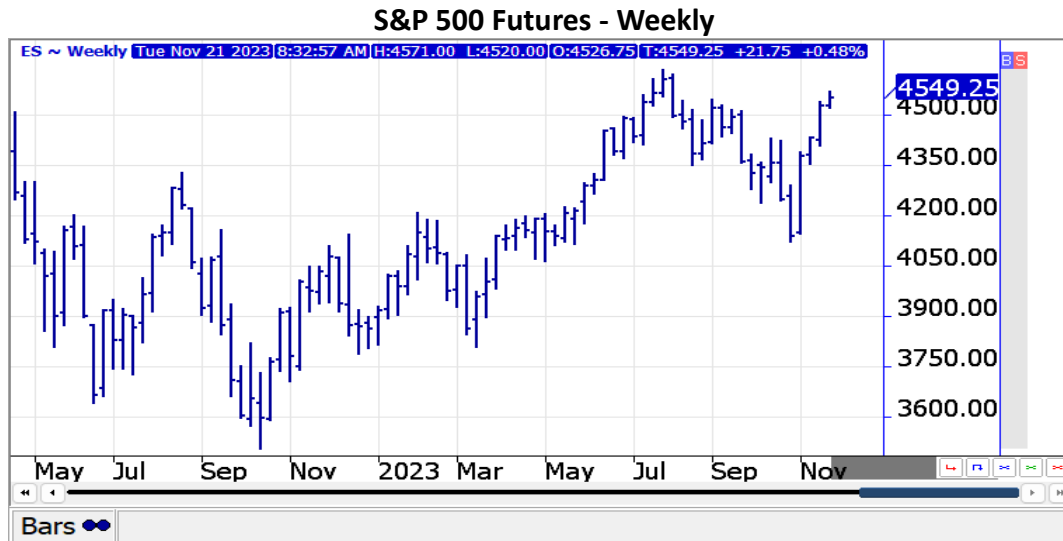
More recently stock index futures quickly advanced when the October consumer price index report was released. The consumer price index was unchanged when a 0.1% increase was expected on a month-to-month basis, and on a year-to-year basis, increased 3.2% when up 3.3% was anticipated. The consumer price index excluding food and energy on a month-to-month basis was up 0.2% when a gain of 0.3% was predicted, and annualized was up 4.0% when up 4.1% was forecast.

Stock index futures have performed very well despite hawkish comments from U.S. monetary policymakers, including Fed Chair Jerome Powell, saying the central bank is “not confident” that it has done enough to bring down inflation. Powell said the central bank will not hesitate to tighten more if needed to bring inflation down to 2.0%.

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The technical aspects have become much more supportive to stock index futures, especially after the S&P 500 futures broke out above a triple top formation on the daily chart. Most analysts appear to be bearish on balance, which from a contrarian point of view suggests higher prices for stock index futures longer term.



U.S. Dollar Index

The U.S. dollar fell to its lowest level since September 20 when the bearish October consumer price index was reported. The U.S. dollar has underperformed the news since early October. There was only limited strength in the greenback despite hawkish comments from U.S. policymakers. While the Fed sounds hawkish now, many analysts believe the Fed has hiked its fed funds rate for the last time in this cycle, which will tend to undermine the U.S. dollar. In addition, there has been only a limited flight to safety flow of funds into the U.S. dollar in light of ongoing geopolitical tensions.

Severe technical damage has been done to the greenback when major trendlines were penetrated on the downside. Overall the U.S. dollar has underperformed the news in since early October, and additional weakness is likely.

Euro Currency

The euro currency was supported by news that German investor morale improved more than expected in November. The ZEW economic research institute said its economic sentiment index improved to 9.8 points from -1.1 points in October, beating forecasts. However, the assessment measuring the current situation in Germany was virtually unchanged, rising by 0.1 points to -79.8.

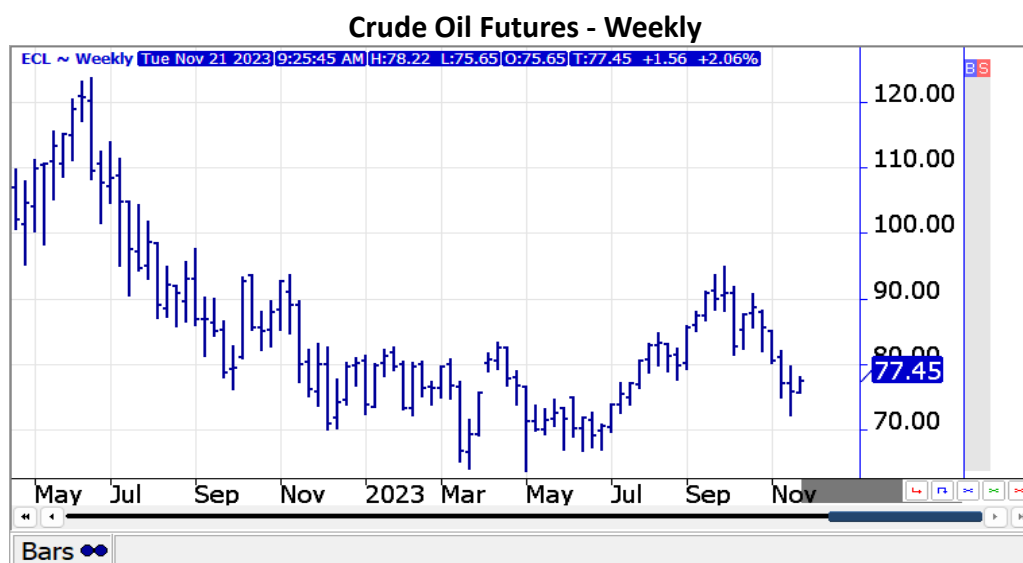
There was only temporary pressure on the euro when it was reported that industrial production in Germany contracted 1.4% month-over-month in September 2023, following a downwardly revised 0.1% decline in August, which was much worse than predictions of a 0.1% decrease.

The currency of the euro zone has overperformed the news in the last six weeks.

Crude Oil

Crude oil futures fell toward \$77 per barrel as investors remained cautious about the possibilities of weaker demand and a global economic slowdown, as traders watch for key economic indicators out of the U.S. and China, which are two of the world's largest oil consumers. There was temporary support amid growing expectations that OPEC+ will reduce supply further to increase prices ahead of its meeting on November 26. Analysts pointed to higher-than-expected inventories supporting a potential move by OPEC+ to reduce production. Traders also expect Saudi Arabia and Russia may roll over additional voluntary production cuts into early 2024. There was some support for crude oil futures in light of a sharp decline in the U.S. dollar, which makes U.S. dollar-priced commodities more attractive to foreign buyers.

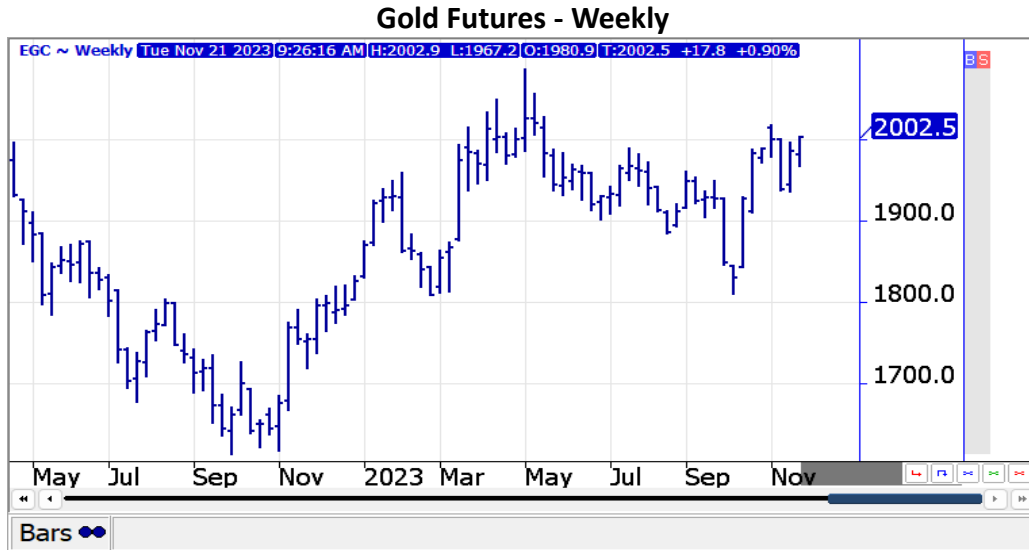
Currently crude oil prices are caught between the bearish influence of worries about slowing global growth curbing demand and the bullish influence of a potentially expanding war in the Middle East causing supply disruptions.



Gold

December gold futures advanced above \$2,000 an ounce, marching toward its highest level since late October. The yellow metal has benefited from a sharp decline in the U.S. dollar amid growing expectations that the U.S. Federal Reserve has hiked its fed funds rate for the last time in this cycle. The U.S. central bank is widely expected to keep rates unchanged again at its December 13 policy meeting.

In addition, the gold market appears to be the “go-to” flight to quality vehicle, since early October when it outperformed on the upside over other traditional flight to safety vehicles. Additional price gains are likely for gold.



All charts provided by QST

Support and Resistance

Grains

December 23 Corn

Support	4.60	Resistance	4.92
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December 23 Soybeans

Support	13.00	Resistance	13.95
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December 23 Chicago Wheat

Support	5.40	Resistance	5.75
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Livestock

February 24 23 Live Cattle

Support	168.00	Resistance	187.00
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February 24 23 Lean Hogs

Support	66.00	Resistance	79.50
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Stock Index

December 23 S&P 500

Support	4430.00	Resistance	4610.00
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December 23 NASDAQ

Support	15200.00	Resistance	16670.00
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Energy

January 24 Crude Oil

Support	71.05	Resistance	80.20
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January 24 Natural Gas

Support	2.400	Resistance	3.200
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Metals

December 23 Gold

Support	1965.0	Resistance	2045.0
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December 23 Silver

Support	23.05	Resistance	25.40
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December 23 Copper

Support	3.7400	Resistance	3.9050
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Currencies

December 23 U.S. Dollar Index

Support	101.800	Resistance	103.700
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December 23 Euro Currency

Support	1.08400	Resistance	1.11300
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