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ADM Investor Services, Inc.

Monthly Commodity Futures Overview
December 2024 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 ***December 19, 2024.*** *This report is intended to be informative and does not guarantee price direction.*

Corn

On the surface the December WASDE data was bullish for corn prices. Given the markets inability to see follow-through strength after report day suggests to me the market had discounted the tighter U.S. inventories in advance. The USDA slashed U.S. ending stocks 200 mil. bu. to 1.738 bil. 165 mil. below expectations. Exports were increased 150 mil. bu., while usage for ethanol production was up 50 mil. I had the lowest corn ending stocks forecast in the Reuters survey of guesses at 1.863 bil. bu., down 75 mil. from November 24, which proved too high. Global stocks fell nearly 8 mmt to 296.4 mmt, well below expectations, largely due to lower U.S. supplies.

There were no changes to South American production, however there was a big jump in ethanol usage in Brazil. Recently China lowered its 2024 corn production forecast 3.2 mmt to 293.4 mmt, due to excessive rain in key growing areas, still above the USDA forecast of 292 mmt. Although March 25 corn traded above the $4.50 level soon after the December 24 WASDE data, it failed to trade above the October 24 high at $4.52 ¼. Prices appear to be held back by weakness in the soybean complex and favorable weather conditions in South America. I expect spot prices to hold above the $4.25 level until we know more about Brazil’s second crop that will start being planted in late January 2025. Strong export demand should stretch into the spring of 2025 as the U.S. remains competitively priced in the global marketplace. I look for the top side of the range to be capped near $4.60.

Corn Futures - Weekly

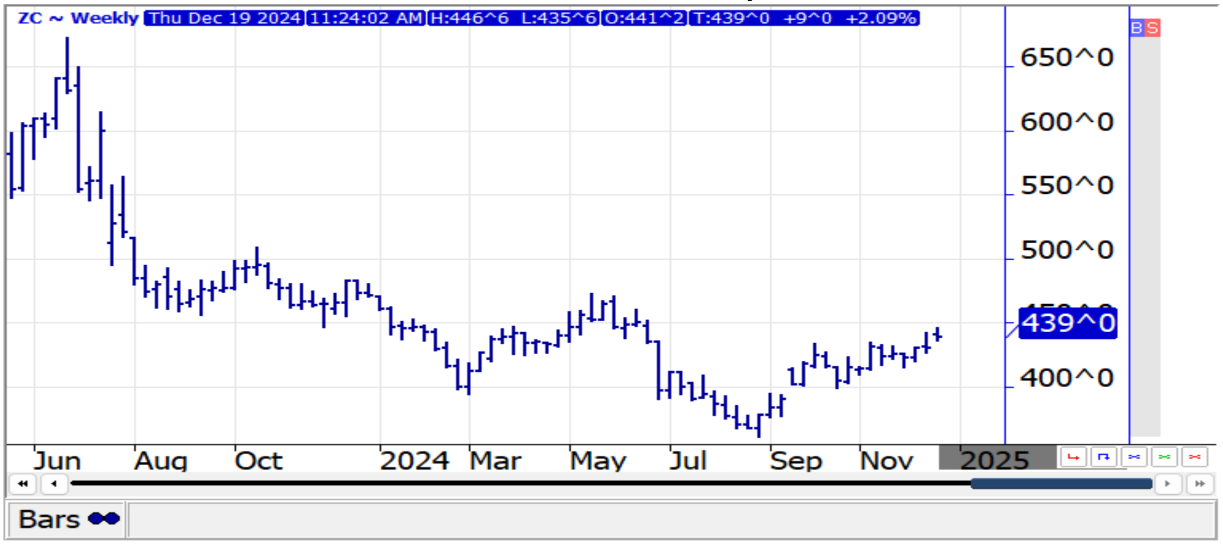

Chart from QST

Soybeans

March 25 soybean consolidated around the $10 level the first half of December before finally breaking into new lows, pressured by growing production prospects in South America. The USDA WASDE data was neutral for soybeans as U.S. stocks held steady at 470 mil. bu. There was an increase in bean oil yields as production was up 270 mil. lbs. to 28.605 bil. lbs. without an increase in crush. The USDA kicked the biofuel usage estimate for bean oil down the road a month keeping consumption at 14.0 bil. lbs. Global stocks were little changed at 131.9 mmt, slightly below expectations.

Argentine production increased 1 mmt to 52 mmt, while Brazil was left unchanged at 169 mmt. While some dry pockets are developing in Southern Argentina, the lack of above normal temperatures has so far limited crop stress. I expect higher production estimates from the USDA for both Brazil and Argentina in future reports. The USDA kept its Chinese soybean imports unchanged for the 24/25 MY at 109 mmt, down from the 112 mmt imported in 23/24 MY. As of this writing, spot soybean prices have fallen to new contract lows near the $9.50 level. I have held a downside objective for spot soybeans of $9.35 by early 2025 for weeks. It may come a bit sooner than expected. While we cannot rule out a move to, or just below $9, I do not think we will approach the $8 low from the spring of 2019 at the height of the U.S./Chinese trade war during the first Trump Administration. As of this writing, spot meal has fallen back to our downside target of $280 ton. Soybean oil prices have not held up as well as I expected given the surge in export demand this fall. That said, however, I would expect prices to stabilize above the August 2024 low at 38.60.

Wheat

The December 2024 WASDE data was neutral to supportive for wheat prices. U.S. ending stocks were down 20 mil. to 795 mil. bu. slightly below expectations. Imports rose 5 mil., while exports were up 20 mil. bu. Global stocks were little changed at 257.9 mmt, in line with expectations. Russian and EU exports were lowered 1 mmt each. Ukraine exports rose .5 mmt. Increased production this year in Argentina and Australia nearly offset the lower production in Russia. As winter crops in Ukraine, Southern Russia and Kazakhstan reach dormancy, effects from this summer's drought, continue to be felt.

Odds favor reduced production in 2025 for their wheat crops. Despite the Ukraine/Russia war nearing three full years, wheat continues to flow from the Black Sea region keeping global wheat prices near four-year lows. That said, however, downside price risk would appear limited as global stocks among exporters remain tight. The wheat market is still lacking a spark to ignite a short covering rally into year-end despite reduced U.S. inventories.

Softs and Energy Outlook by Mark Bowman, Senior Global Market Analyst, ADM Investor Services

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Cocoa

The cocoa market has seen almost two months of solid gains on concerns about the condition of the West African main crop, which runs from October through March. Heavy rains in late October raised the possibility of disease, and then emergence of dry weather in November and December got the trade wondering if the harvest will be strong enough to overcome three years of global supply deficits. This is the dry season for West Africa, but that has not calmed traders' fears. The dry Harmattan wind typically sweeps down from the Sahara this time of year, which can dry soils and damage small cocoa pods that will be harvested in February or March.

As of December 15, cumulative Ivory Coast cocoa port arrivals since the marketing year began on October 1 had reached 895,000 metric tons. This was up from 674,000 for the same period last year but below the five year average of 906,000. This shows a considerable improvement from last year's disastrous results, but the question is whether it will be enough to alleviate the tight supplies that have driven the market to record levels this year. Data from the International Cocoa Organization (ICCO) shows a net production deficit of 478,000 tons for 2023/24, following deficits of 64,000 in 2022/23 and 216,000 in 2021/22. ICCO will publish its first estimate for 2024/25 at the end of February.

Cocoa - Weekly

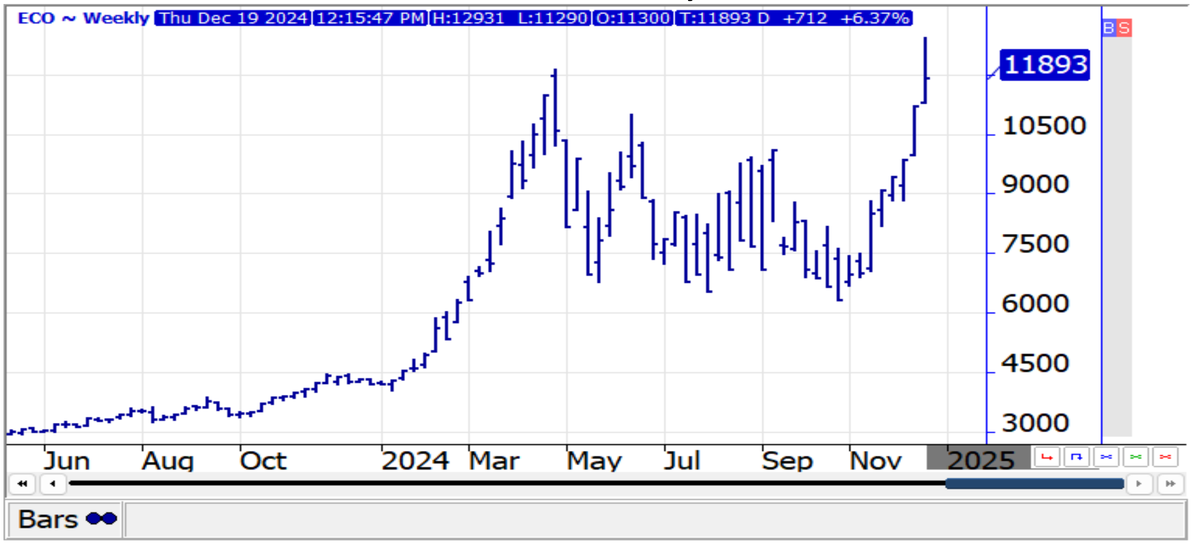

Chart from QST

Coffee

NY (arabica) coffee traded to new all-time highs this month on anxiety over the upcoming Brazilian crop. Brazil suffered a severe drought in 2024 that stressed trees and at one point raised concerns that the 2025 crop would not experience a successful flowering. The arrival of rainfall in October ended that concern, as the crop saw an ample flowering period. However, the extended drought has left open the possibility that the trees will not have enough energy stored to produce a large crop. Anecdotal reports from growers have mentioned ample branch growth in the wake of the rain but a lack of cherry development.

This month, coffee trading firm Volcafe cut its forecast for 202574/26 Brazilian arabica production by 11 million bags to 34.4 million, a 24% reduction, and news of that sparked the rally to all-time highs. However, other firms have been more guarded in their opinions. In the meantime, Brazil growing areas continue to see decent rain, and despite the doubts about tree vigor, World Weather Service is calling the weather pattern “might fine for cherry development.”

The March NY coffee move to new highs this month has been with significant divergence against momentum indicators like RSI and stochastics. This suggests a loss of bullish momentum, and it could be an indication that the market is about to turn lower.

Sugar

The sugar market sold off sharply this month in the wake of a Brazilian production report from Unica for the second half of November that was surprisingly strong. The report showed center - south Brazil production for the first half of November at 1.084 million metric tons, down from 1.412 million from the same period last year but up from 901,000 from the first half of the month. Production typically peaks in July and falls off into February, so the fact that it increased sharply in late November caught the market by surprise. The collapse in the Brazilian currency, the real, encourages producers to actively sell their products on the global market. Cumulative production for Brazil's 2024/25 marketing year, which began in April, has only recently fallen behind year ago levels.

The market saw a sharply rally in September after a long-lasting severe drought in Brazil culminated in wildfires that damaged cane fields. Since October, Brazil has ample rains that have help fields recover. The market fell below the 200-day moving average on December 15-16 (around 20.47) and below the 0.618 retracement of the August-September rally (20.08). Those levels could act as key resistance points on a recovery bounce. The next Unica report (on first-half) December production will be released at the end of the month. Other important crops to watch are in Thailand and India. Both have experience better growing conditions this year than last year, but Indian exports may be limited by their desire to build up their ethanol industry.

Crude Oil

The crude oil market has been chopping back and forth in a roughly $20 range for two months, with supply concerns sparked by wars in the Middle East and Ukraine offset by low demand expectations, especially for China. To date, the wars have had little effect on supply, save for some occasional interruptions to shipping from Houthi attacks on vessels in the Red Sea and from the maneuvering by Russia to avoid western sanctions. OPEC+ has repeatedly postponed planned increases in production because of the low prices, most recently to the second quarter of 2025.

Asian demand has been the biggest concern, particularly China, which is experiencing sluggish growth. IEA, EIA, and OPEC have all lowered their forecasts for global demand growth for 2024 and 2025. The crude market did receive a shot in the arm earlier this month when Chinese state media reported that the government would adopt an "appropriately loose" monetary policy in 2025. This supported the market for several days straight but not enough to push the market outside the trading range.

U.S. production is currently running around 13.6 million barrels per day, which is close to record levels. Weekly EIA crude oil stocks are not at burdensome. As of December 13, U.S. crude oil stocks totaled 421.0 million barrels, down from 443.7 million a year prior and below the five-year average 447.5 million.

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

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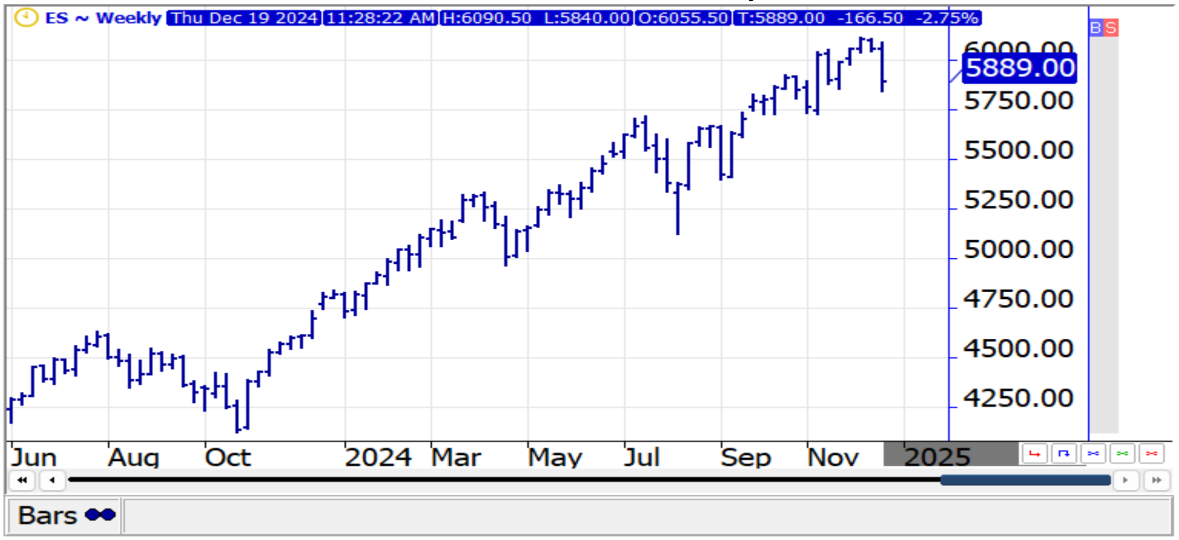
Stock Index Futures

Earlier this month S&P 500, NASDAQ, and Dow Jones futures advanced to record highs as traders assess the economic impact of President-elect Donald Trump's transition to the White House. However, stock index futures declined sharply after the Federal Reserve at its December 18 policy meeting indicated it plans fewer interest rate reductions next year than previously anticipated.

The Federal Reserve now projects only two interest rate cuts in 2025, which is down from the four cuts it had forecast in September. While the Federal Open Market Committee lowered its federal funds rate by 25 basis points as expected, it indicated only 50 basis points of rate cuts for 2025.

The U.S. economy is likely to perform better than the consensus view.

S&P 500 Futures - Weekly



U.S. Dollar Index

The U.S. dollar index advanced to new highs for the move in light of the hawkish commentary from the December 18 Federal Open Market Committee statement. The greenback has now traded at its highest level since November 2022. This rally followed the Federal Reserve's expected 25 basis point rate cut on December 18, although the central bank indicated fewer rate reductions in 2025 than initially anticipated. Additionally, the Fed updated its economic outlook for 2025, raising gross domestic product growth and inflation expectations, while lowering its unemployment rate forecast. As a result, markets now anticipate a 91% chance that the Fed will leave rates unchanged at its January 29 policy meeting.

The fundamental outlook remains supportive to the U.S. dollar, suggesting higher prices are likely.

Euro Currency

The euro currency is approaching its lowest point since November 2022 as a result of the stronger U.S. dollar following the Federal Reserve's hawkish outlook for 2025. While the Fed lowered the federal funds rate by 25 basis points as anticipated, it signaled only 50 basis points of rate cuts for 2025, which is half of what was forecasted in September.

On the other hand, the European Central Bank has already reduced its key deposit rate four times this year. Many analysts believe the ECB may need to accelerate policy loosening to support the weakening euro zone economy. Flash PMI data indicated another contraction in private sector activity, with Germany and France continuing to lag behind.

Political uncertainty is also weighing on the euro. In Germany, the Chancellor lost a confidence vote in Parliament, as predicted, and in France the new government faces significant hurdles, including passing the 2025 budget. Investors are concerned about the potential for trade tariffs proposed by Donald Trump, which could negatively impact European exports.

The fundamental outlook remains bearish for the euro currency suggesting lower prices are likely.

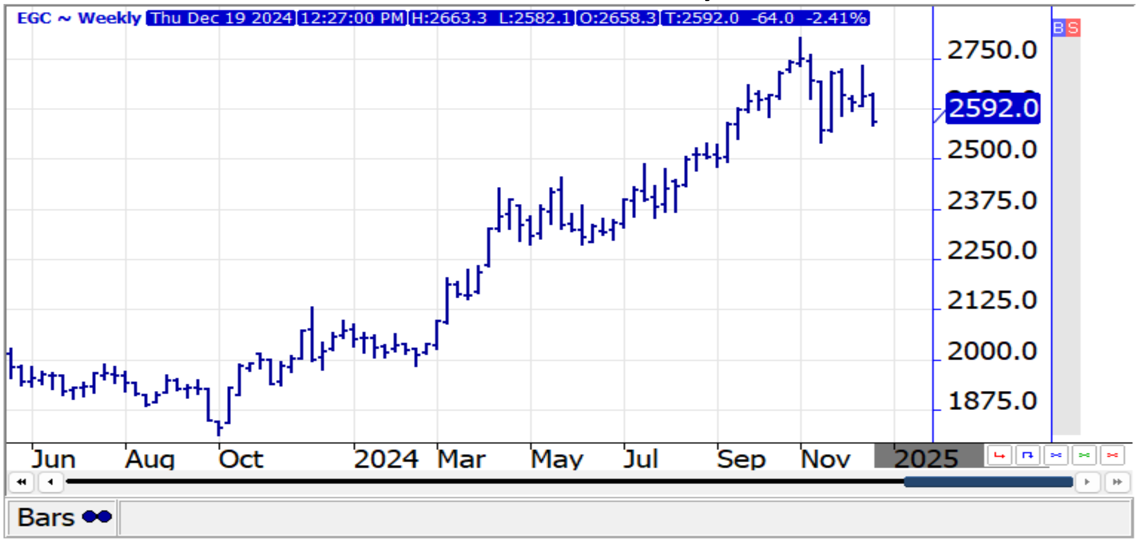
Gold

December gold futures have been under pressure due to the growing belief that the U.S. Federal Reserve will be slower to move to accommodation, which dampened the appeal of gold as a non-interest-bearing asset. February gold futures declined following the Federal Reserve's hawkish stance with fewer interest rate cuts in 2025. The Fed’s dot plot projections indicated only two interest rate cuts, supported by strong gross domestic product growth and persistent inflation. There is a 91% probability that the Federal Open Market Committee will keep its fed funds rate unchanged at 4.25% - 4.50% at its January 29, 2025 policy meeting, and there is a 9% chance of a 25 basis point reduction.

Also, investors are concerned that a Donald Trump administration could push for higher trade tariffs, tax cuts and increased deficit spending, all of which could further stoke inflation and limit the Fed's ability to reduce borrowing costs.

Underlying support for gold remains due to safe-haven demand and significant central bank purchases.

Gold Futures - Weekly



All Charts from QST

Support and Resistance

Grains

March 25 Corn

Support 4.25 Resistance 4.60

March 25 Soybeans

Support 9.35 Resistance 10.10

March 25 Chicago Wheat

Support 5.25 Resistance 5.85

Softs

March 25 Cocoa

Support 11181 Resistance 13722

March 25 Coffee

Support 275.05 Resistance 357.15

March 25 Sugar

Support 18.43 Resistance 20.33

Energy

February 25 Crude Oil

Support 66.01 Resistance 72.80

February 25 RBOB

Support	1.9039	Resistance	2.0424

February 25 ULSD

Support	2.1294	Resistance	2.3322

February 25 Natural Gas

Support	2.864	Resistance	3.471

Stock Indexes

March 25 S&P 500

Support	5920.00	Resistance	6135.00

March 25 NASDAQ

Support	21900.00	Resistance	23000.00

Metals

February 25 Gold

Support	2580.0	Resistance	2670.0

March 25 Silver

Support	28.40	Resistance	31.20

March 25 Copper

Support	4.0000	Resistance	4.2000

Currencies

March 25 U.S. Dollar Index

Support	107.050	Resistance	109.100

March 25 Euro Currency

Support	1.02800	Resistance	1.05300