



## Monthly Commodity Futures Overview January 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 **January 18, 2023**. This report is intended to be informative and does not guarantee price direction.*

The January USDA report was a big bullish surprise to the market. After the report, corn, soybeans and wheat prices traded higher. March soybean futures rallied from 14.93 to 15.48. March soymeal trade between 474-487. March soyoil rallied from 61.89 to 64.75. March corn rallied from 6.49 to 6.88. March Chicago wheat advanced from 7.23 to 7.60.

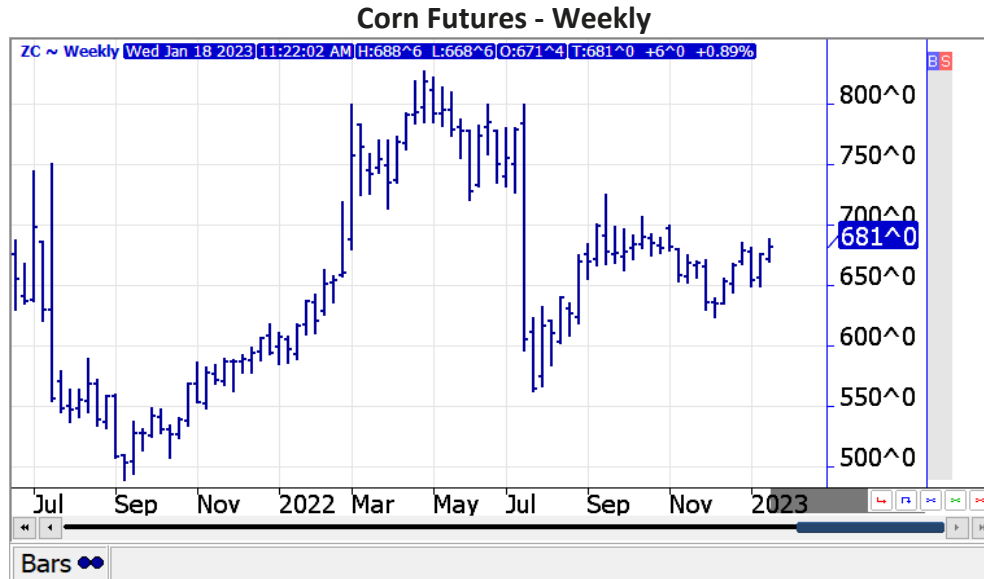
In January, the USDA left the U.S. 2022/23 corn carryout near 1,242. The USDA dropped the U.S. 2022 crop 200 mil bu and exports 150. The USDA estimated the Brazil corn crop at 125.0 mmt vs 126 in December, the Argentina crop at 52.0 vs 55.0 and left China corn imports at 18.0 mmt. The USDA raised Ukraine corn exports from 17.5 to 20.5.

The USDA left the U.S. 2022/23 soybean carryout near 210 mil bu. The USDA dropped the U.S. 2022 crop 70 mil bu and exports 55. The USDA estimated the Brazil soybean crop at 153.0 mmt vs 129.5 last year, Argentina crop at 45.5 vs 43.9 last year and lowered China soybean imports from 98.0 mmt to 96.0 and 91.5 last year.

The USDA left the U.S. 2022/23 wheat carryout near 567 mil bu. The higher carryin was offset by higher feed use. The USDA estimated world 2022/23 end stocks to be near 268.4 mmt versus 276.8 last year. The Russian wheat crop was left at 91.0 versus some private estimates of 104.0 and left Australia at 36.6 versus with some estimates closer to 40.0. The USDA estimated U.S. 2023 winter wheat acres to be higher than expected.

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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**

A strong boxed beef market moved cash cattle prices and live cattle futures up in December 2022. Holiday beef demand had prices higher in December particularly the highest priced beef sections; choice rib and choice loin primals. From office holiday parties to home dinners, consumers forgot about inflation concerns and bought choice and prime rib roasts, loin roasts and steaks. On December 1, the choice beef cutout was \$255.11/cwt and throughout the month climbed and settled at \$281.98. Primal choice rib primals on December 1 were \$527.49/cwt and ended the month at \$544.77/cwt. Primal choice loins during the month gained \$40.46/cwt. Other primal cuts also gained but the strength in boxed beef was led by the top cuts.

Live cattle futures began moving off a low in October as wholesalers began stocking rib and loin primals, and during November, live cattle traded sideways in a \$3.00/cwt channel bouncing up and down around \$151.00/cwt to \$154.00/cwt. But on December 6, after closing at \$151.55/cwt, December 2022 live cattle began to rally and moved up to \$158.77/cwt and settling at \$154.82/cwt.

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## Live Cattle Futures - Weekly



## Lean Hogs

Lean hogs have traded like a yoyo since making contract highs in August 2022. On August 16, 2022, December 2022 lean hogs made a contract high at \$91.35/cwt and fell to \$72.97/cwt on October 4 followed by a rally up to \$89.80/cwt on October 21. From October 21, December 2022 lean hogs dropped and settled on December 16 at \$81.88/cwt. When February 2023 lean hogs became the lead month on December 16, they bounced from \$81.52/cwt to \$91.60/cwt on December 27 and settled out the year at \$87.70/cwt.

During December 2022 lean hog traders had conflicting fundamental news. Cash hogs on the CME lean hog index fell \$3.15/cwt while the CME pork index fell into the middle of the month and then pulled off lows into the end of the year. The Hogs and Pigs report on December 23 showed all hogs as of December 1 were down 2% but kept for breeding unchanged with negative news that farrowing intentions were expected to up 1.0% to unchanged. Pork exports started the month out better than average, fell during mid-month and by month-end were strong with good buying from Mexico and China. The daily pork carcass price had small changes during the month, but the two top primal cuts, loins and fresh ham prices dropped along with bellies, falling into the middle of December and then recovering at the end of the month.

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## 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

Stock index futures advanced to five-week highs due to indications that global inflation is cooling. The December consumer price index declined 0.1% when unchanged was expected. The annualized consumer price index increased 6.5% when an increase of 6.6% was anticipated. This was the slowest annualized pace in 14 months. The December producer price index declined 0.5% when a decline of 0.1% was expected. In addition, there was support on ideas that major central banks may be less hawkish. Weaker on balance earnings from large banks only temporarily pressured futures.

The technicals for stock index futures are improving. The bottom for S&P 500 futures took place on October 13 when there was a one-day reversal pattern and prices have been higher ever since. Also, major downtrend lines have been penetrated on the upside.

Futures are performing well for the news. The fundamentals and technicals for stock index futures remain supportive.

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## S&P 500 Futures - Weekly



## U.S. Dollar Index

The U.S. dollar index is lower despite recent hawkish comments from Federal Reserve officials. Much of the pressure on the greenback is linked to inflation reports that have come in weaker than expected which suggests the Fed cannot be as hawkish as their rhetoric suggests.

The U.S. dollar index made new lows for the move due to the 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.

There was temporary support when it was reported that nonfarm payrolls increased 223,000 when up 200,000 was expected.

Interest rate differential expectations, which have been bearish for the U.S. dollar since late September are now just neutral.

## Euro Currency

There was strength in the euro currency on news that the ZEW Indicator of Economic Sentiment for Germany improved sharply by 40.2 points from a month earlier to +16.9 in January 2023, returning into positive territory and remaining above market expectations of -15.0.

Euro zone inflation eased by more than expected in December. Consumer prices increased 9.2% on the year in December, easing from a 10.1% increase in November and were at the lowest level since August. Economists expected a 9.7% inflation rate.

French data added to recent evidence of easing price pressures in the euro zone after Germany's inflation fell for a second month in a row in December and following lower Spanish inflation figures released last week.

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The inflation rate in France fell to 6.7% in December, which was down from 7.1% in November and below the average forecast for 7.2%. A lower inflation rate in the euro zone puts pressure on the European Central Bank to be less hawkish.

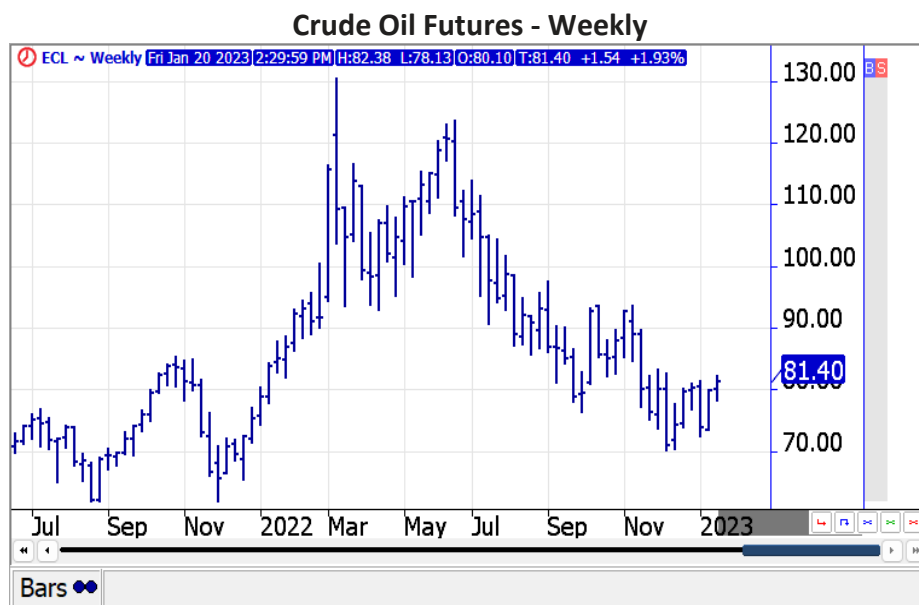
Interest rate differentials are now only neutral for the euro currency.

## Crude Oil

Since December, March 23 crude oil futures have traded in a range between 70.56 and 83.14. Recent strength is linked to hopes of a recovery in global demand. In its latest monthly report, OPEC sounded upbeat regarding the outlook for 2023, saying that demand for crude will increase by 2.22 million barrels per day, lifted by a recovery in economic activity among advanced economies. On the supply side, OPEC crude oil production increased in December, led by higher Nigerian output, despite the cartel's agreement to lower production to support the market.

The fundamentals are offsetting. With the U.S. Treasury yield curve remaining inverted, a weaker global economy is likely. Offsetting this bearish influence is increasing prospects of less hawkish central banks, which are giving psychological support to the market.

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



## Gold

Gold futures have been supported by recent weakness in the U.S. dollar. After declining to under a double bottom pattern on November 3 there was no follow-through to the downside. Since the lows were made then, March gold futures advanced to the 1936.00 area.

Much of the strength in gold can be explained by a sharply declining U.S. dollar and increased speculation that the Federal Open Market Committee will be less hawkish going forward.

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Higher prices are likely for gold futures.

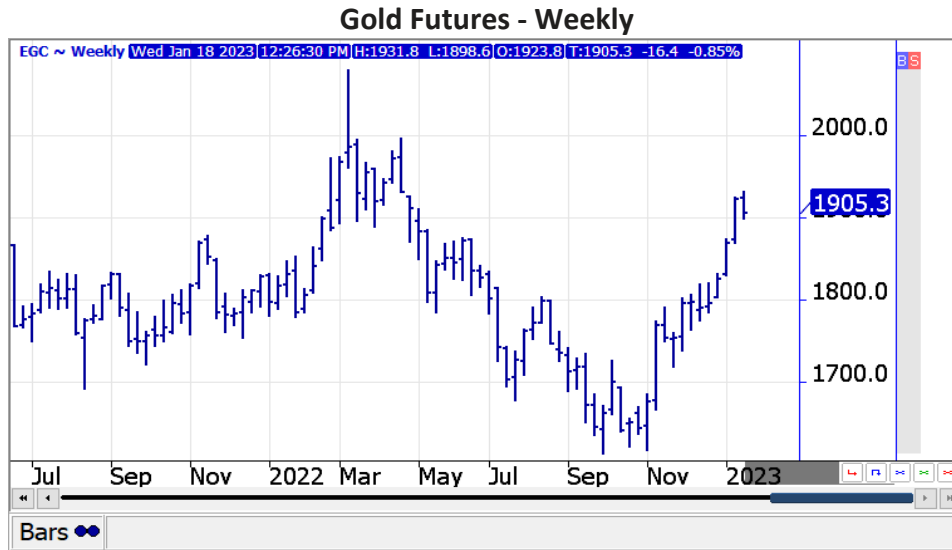


Chart from QST

## Support and Resistance

### Grains

#### **March 23 Corn**

Support 6.50                      Resistance 7.00

#### **March 23 Soybeans**

Support 14.75                      Resistance 15.50

#### **March 23 Chicago Wheat**

Support 7.00                      Resistance 8.00

### Livestock

#### **February 23 Live Cattle**

Support 154.00                      Resistance 163.00

#### **February 23 Lean Hogs**

Support 72.00                      Resistance 87.00

## **Stock Index**

### **March 23 S&P 500**

Support	3885.00	Resistance	4200.00
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### **March 23 NASDAQ**

Support	11185.00	Resistance	12140.00
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## **Energy**

### **March 23 Crude Oil**

Support	71.50	Resistance	85.00
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### **March 23 Natural Gas**

Support	2.800	Resistance	4.000
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## **Metals**

### **March 23 Gold**

Support	1980.0	Resistance	1960.00
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### **March 23 Silver**

Support	23.10	Resistance	25.20
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### **March 23 Copper**

Support	4.0800	Resistance	4.5500
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## **Currencies**

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

Support	100.800	Resistance	103.200
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### **March 23 Euro Currency**

Support	1.07000	Resistance	1.10200
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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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