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

In October the USDA adjustments to old crop demand were in line with expectations in order to get 2022/23 corn stocks to 1.361 bil. as previously reported at the end of September. 2023 corn production was cut 70 mil. bu. to 15.064 bil., which was just below expectations. We were looking for a 14 mil. bu. cut to 15.120 bil. The average yield fell to 173 bpa, just below the 173.4 bpa from a year ago. There were no changes to the harvested acres. 2023/24 demand was cut 50 mil. bu. with both exports and feed usage off 25 mil. bu. Ending stocks at 2.111 bil. were roughly 25 mil. below expectations. 2023/24 world ending stocks were reduced just over 1.6 mmt to 312.4 mmt, slightly below estimates. The only noted change to global production was Argentina up 1 mmt to 55 mmt. With U.S. corn yields being cut in July, August, September and now October, history leans toward slightly lower production in future reports. Stocks/use ratios among the top four corn exporters are expected to rise to nearly 12% for the 2023/24 marketing year, which is a six-year high. Attention will now shift towards South American weather and production prospects.

The USDA adjusted 2022/23 soybean demand to get old crop stocks to 268 mil. bu. as reported at the end of September. U.S. soybean production was cut 42 mil. bu. to 4.104 bil. vs. expectations for a 12 mil. bu. reduction and was at the very low end of estimates. We were looking for a 9 mil. bu. increase to 4.155 bil. The average yield fell to 49.6 bpa with no changes to harvested acres. New crop usage was cut 23 mil. bu. to 4.183 bil. with exports down 35 mil., crush up only 10 mil. and residual up 2 mil. We were expecting usage to remain unchanged with a 40 mil. bu. shift away from exports to crush. As we predicted, the USDA raised soybean oil usage for biofuel production for both 22/23 and 23/24.

Other domestic uses were lowered 200 mil. lbs. for both crop years. World soybean stocks for 23/24 are forecast to rise 14 mmt to 115.6 mmt, however this was down nearly 4 mmt from September 23 and below expectations. There were no major surprises in world production. However, the USDA raised Chinese crush estimates by 1 mmt for both old and new crop. Brazil's exports were raised .5 mmt for both old and new crop. As we expected, November 23 beans have traded back above $13 on anticipation of further production cuts. With U.S. stocks/use barely over 5%, an 8-year low, we can hardly afford any further supply reductions.

U.S. wheat stocks rose 55 mil. bu. in the October 23 USDA report to 670 mil., largely due to the 78 mil. bu. production increase from the USDA report at the end of September. U.S. wheat production in 2023/24 at 1.812 bil. bu. was up 162 mil. from the previous year and largest year-over-year increase in 7 years. 2023/24 usage rose 30 mil. bu. due to higher feed usage. HRS wheat stocks rose 35 mil. bu. while HRW was up 23 mil. Global stocks held steady at 258 mmt, in line with expectations as lower production was offset by lower demand. Noted changes were Australia down 1.5 mmt, Brazil down .5 mmt and Kazakhstan down 2 mmt. We look for lower global production and stocks moving forward.

Corn Futures - Weekly

Chart from QST

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

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Live Cattle

Labor Day is the last of the summer holidays when consumer demand for beef increases. It typically is followed by a decrease in beef demand through the end of the month. September 2023 followed this trend. On Friday, August 30, choice boxed beef was $315.11. By September 15 choice boxed beef dropped to $305.71, and it ended the month at $300.78. Cattle prices in

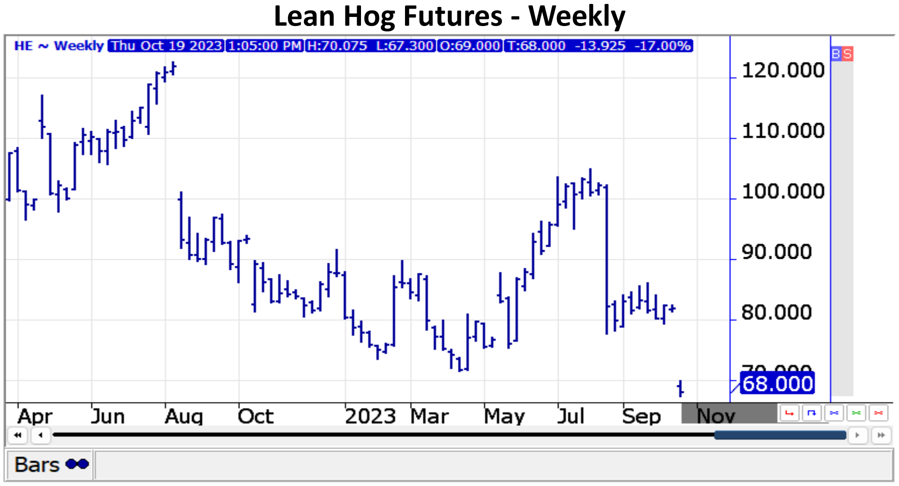
September because of the sharp decrease in slaughter remained strong. The 5-day national accumulate weighted average price for steers began at $183.71, by the middle of the month was $183.18 and ended the month at $184.10. For the week ending September 15 year-to-date U.S. federal national cattle slaughter was down 1,129,000 head.

Live Cattle Futures - Weekly

Lean Hogs

Hog and pork prices throughout the summer of 2023 rallied as consumers fighting high grocery prices shifted from high beef prices to cheaper chicken and pork. October 2023 lean hogs were up $18.12 from the lowest price on May 26 at $68.62 to the highest price at $86.75 on August 1. By September 1 October lean hogs were at $83.05 and by month end at $80.20. The CME pork cutout Index on September 1 was on $93.33, moved up in the middle of the month to $99.32 and closed at $97.80. Hog slaughter in the U.S. was up year-to-date 1,274,000 head by September 29. In September there was a shift in U.S. meat production as multi-species poultry and hog processors cut chicken slaughter in order to support their pork and cattle processing.

Lean Hog Futures - Weekly



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

*The following report is an overview as of **October 19, 2023** and is intended to be informative and does not guarantee price direction.*

Stock Index Futures

Stock index futures trended down in September, which is in keeping with its historical seasonal tendencies. However, there were gains in early October, primarily due to prospects of a less hawkish Federal Reserve. However, more recently, futures came under pressure as a result off worries of a possible escalation of the war in the Middle East.

Most analysts appear to be bearish on balance, which from a contrarian point of view suggests higher prices for stock index futures longer term, especially now that the seasonally weak month of September is out of the way.

S&P 500 Futures - Weekly

U.S. Dollar Index

The U.S. dollar index traded higher in September due to on balance hawkish commentary from Federal Reserve officials. For example, the president of the Cleveland Federal Reserve said the central bank may well need to raise interest rates once more this year and then keep rates high "for some time" to get inflation fully under control. Loretta Mester said "inflation remains too high" despite a sharp slowdown in price increases since last year.

Prices topped on October 3 when it was reported that the Bank of Japan may have intervened in foreign exchange markets to support the yen by selling U.S. dollars and buying yen. Earlier, Japan's Finance Minister Shunichi Suzuki warned that he was watching currency moves "cautiously." Last year, Japanese monetary authorities intervened in the currency markets for the first time since 1998 when the yen declined against the U.S. dollar.

Recent weakness in the greenback was linked to a shift in tone in comments from Federal Reserve officials, which turned a bit dovish and undermined the greenback.

Despite the war in the Mideast, a safe-haven flow of funds has only marginally supported the U.S. dollar as prospects of a less hawkish Federal Reserve have undermined the greenback.

Euro Currency

The euro currency was pressured by further evidence of an economic slowdown in the euro zone.

The International Monetary Fund said Germany was likely to suffer a deeper recession than previously estimated. Europe's largest economy is expected to be the only one of the Group of Seven highly industrialized nations that will not see growth in 2023. The IMF said Germany's economy is expected to shrink by 0.5% this year, after a forecast of a 0.3% contraction in July. German unemployment increased more than expected in August. The Federal Labor Office said the number of people out of work increased 18,000 in seasonally adjusted terms to 2.63 million. Analysts expected an increase of 10,000. The seasonally adjusted jobless rate in Germany remained stable at 5.7%.

Not all the news was bearish. For example, factory orders in Germany increased 3.9% month-to-month in August 2023, rebounding from an 11.3% decline in July, and beating estimates of a 1.8% increase. Also, the ZEW Indicator of Economic Sentiment for Germany improved by 10.3 points from the previous month to hit -1.1 in October 2023, which is significantly stronger than market expectations of -9.3.

A new poll of economists indicated the European Central Bank will not lower interest rates until September 2024. A previous poll indicated borrowing costs would be lowered in March.

Crude Oil

Crude futures traded over $90 per barrel in September, which was the highest since November last year, driven by expectations of reduced global supplies

Government data showed U.S. crude inventories fell more than expected, which was in line with industry data on Tuesday. The latest EIA report pointed to a 4.491 million barrels decline in U.S. crude inventories last week, which far exceeded forecasts for a 300,000-barrel decline.

Elsewhere, the Venezuelan administration and opposition leaders agreed to electoral guarantees for the 2024 presidential elections, which could pave the way for possible U.S. sanctions relief that could increase global crude oil supplies.

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

Crude Oil Futures - Weekly

Gold

Gold futures came under pressure in September and early October. The dominant fundamentals adversely affecting the gold market were the usual suspects, including the strong the U.S. dollar, which advanced to its highest level since early March. In addition, the hawkishness from Federal Reserve officials added to the negative sentiment towards the gold market.

However, the fundamentals quickly changed when massive flight-to-safety buying came into the gold market in light of the war in the Middle East, taking prices above $1,985 an ounce.

Also supporting the gold market are increasing prospects of a less hawkish Federal Reserve. Fed Bank of Philadelphia President Patrick Harker recently said he believes the central bank is likely done with rate hikes due to an ongoing waning in price pressures.

Gold Futures - Weekly

All charts provided by QST

Support and Resistance

Grains

December 23 Corn

Support	4.68	Resistance	5.10

December 23 Soybeans

Support	12.50	Resistance	13.25

December 23 Chicago Wheat

Support	5.45	Resistance	6.15

Livestock

December 23 Live Cattle

Support	182.00	Resistance	192.00

December 23 Lean Hogs

Support	63.00	Resistance	73.00

Stock Index

December 23 S&P 500

Support	4160.00	Resistance	4400.00

December 23 NASDAQ

Support	14350.00	Resistance	15500.00

Energy

December 23 Crude Oil

Support	81.50	Resistance	92.50

December 23 Natural Gas

Support	3.000	Resistance	3.550

Metals

December 23 Gold

Support	1950.0	Resistance	2020.0

December 23 Silver

Support	22.40	Resistance	24.90

December 23 Copper

Support	3.4800	Resistance	3.6600

Currencies

December 23 U.S. Dollar Index

Support	104.800	Resistance	106.500

December 23 Euro Currency

Support	1.05650	Resistance	1.07300

Any questions or comments on this special monthly outlook, send them to sales@admis.com.

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