

Monthly Commodity Futures Overview December 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 **December 13, 2023**. This report is intended to be informative and does not guarantee price direction.*

In December the USDA cut corn stocks 25 mil. as a result of higher exports. Ending stocks at 2.131 bil. bu. were slightly below expectations. Global stocks were basically unchanged at 315.2 mmt, which is roughly 2 mmt above expectations. The USDA left both Brazil and Argentine production unchanged at 129 and 55 mmt respectively. They increased production in Ukraine and Russia by 1 mmt each, while lowering production in Mexico by 1 mmt. Ukrainian exports rose 1 mmt to 21 mmt. No changes to China's import forecast at 277 mmt. Although I was expecting stocks to remain unchanged I'm not shocked to see the modest 25 mil. bu. cut given the current pace to exports and the fact U.S. corn is priced below SA thru Feb-24.

Short covering could extend the current rebound to challenge the October 2023 high at \$5.21½ basis March, 2024, however beyond that I sense we'll need to see demand strong enough to drive U.S. stocks below 2.0 bil. and/or see significantly lower SA production forecasts. Corn based ethanol being approved for tax subsidies for the production of sustainable aviation fuel (SAF) could provide a nice year-end boost.

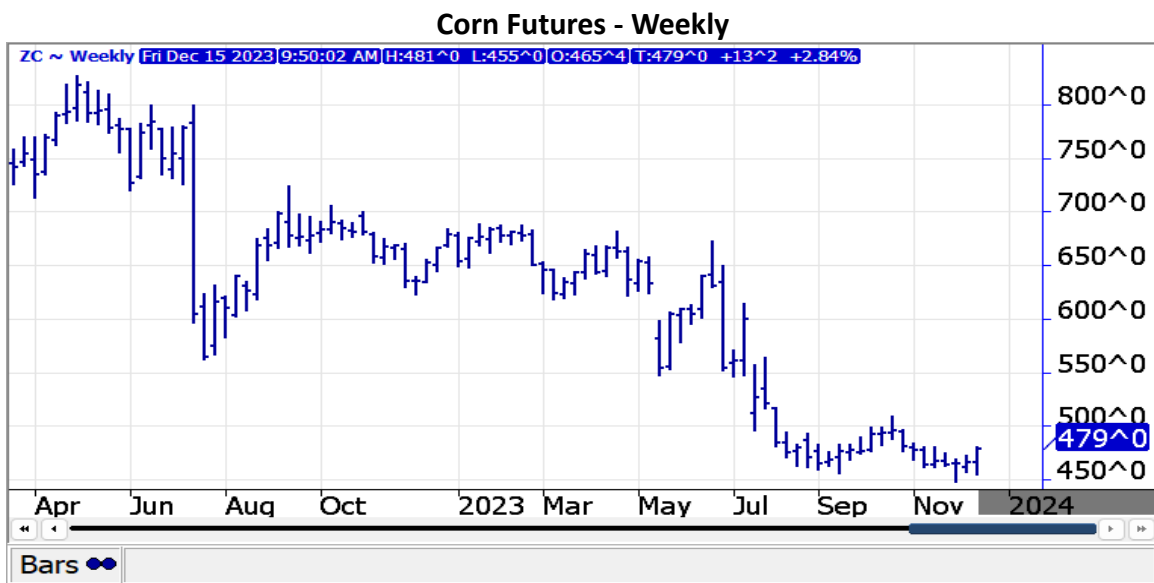
The USDA made no changes to the 2023/24 soybean balance sheet leaving ending stocks at 245 mil. bu. We expected stocks to be left unchanged, however, felt we may see some shifting from exports to crush. In the old crop 2022/23 balance sheet soybean oil usage for biofuels increased 91 mil. lbs. to 12.491 bil., which was offset by other domestic consumption. We still feel the new crop BO usage for biofuels at only 12.80 bil. lbs. will prove to be 1 bil. lbs. too low. Global stocks fell slightly to 114.2 mmt, roughly 1.5 mmt above expectations.

The USDA did lower the Brazil crop by 2 mmt to 161 mmt, however, this was offset by a 2 mmt increase to last year's crop to 160 mmt. They also raised Brazil's export forecast 2 mmt to a record 99.5 mmt. The USDA kept the Argentine crop unchanged at 48 mmt. Chinese imports rose 2 mmt to 102 mmt. US stocks remain tight at 245 mil. bu. however could loosen a bit on lower exports if Brazil/Argentina/Paraguay can combine to produce a crop near the current USDA projection of

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219 mmt. Last year the three SA countries produced a combined 194 mmt of soybeans. I still look for higher crush to offset lower exports down the road to supply the expanding renewable diesel industry. I would expect spot soybeans to remain range bound between \$12.70 - \$13.50 until we have a better handle on SA production.

U.S. wheat ending stocks fell 25 mil. bu. as a result of higher exports. SRW wheat exports were increased by 30 mil. bu. to reflect the recent Chinese purchases, while white wheat exports were trimmed 5 mil. bu. U.S. stocks at 659 mil. bu. are still up from 582 mil. in 2022/23. While SRW wheat endings stocks dropped to 118 mil. bu., they remain the highest in five years. World stocks slipped .5 mmt to 258.2 mmt, slightly below expectations. Production in Canada and Australia both rose 1 mmt, while production was cut 1 mmt in Brazil. The January 2024 USDA report will feature final production estimates for the 2023 corn and soybean crop, stocks as of December 1 and the first estimate on 2024 U.S. winter wheat acres.



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

*The following report is an overview as of **December 14, 2023** and is intended to be informative and does not guarantee price direction.*

Live Cattle

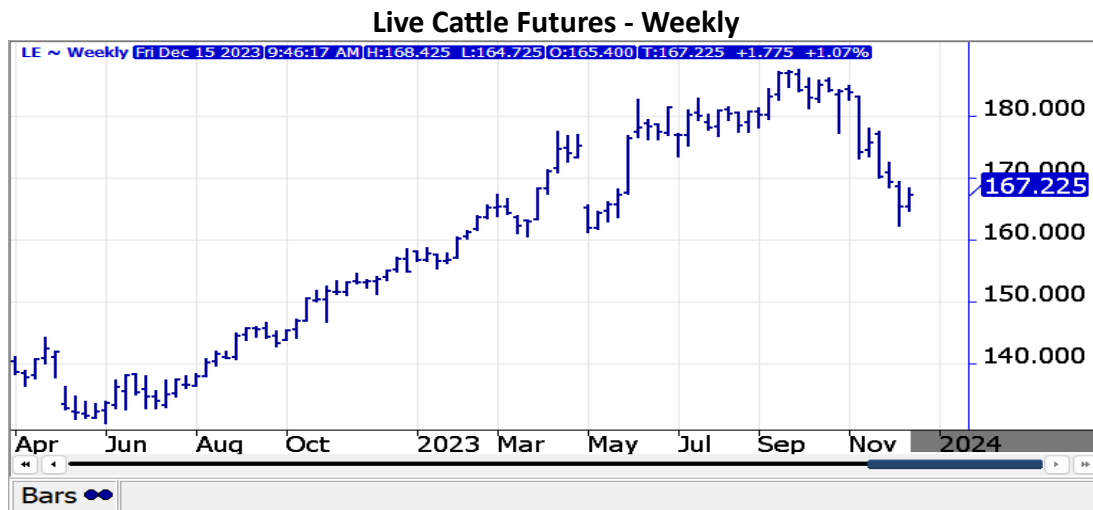
Live cattle futures topped at historic contract highs on September 19, 2023 and then went into a steep decline. The contract high for December 2023 live cattle was \$192.05. By October 31 prices dropped to \$182.30 and continued to collapse throughout November to \$169.10 by month-end.

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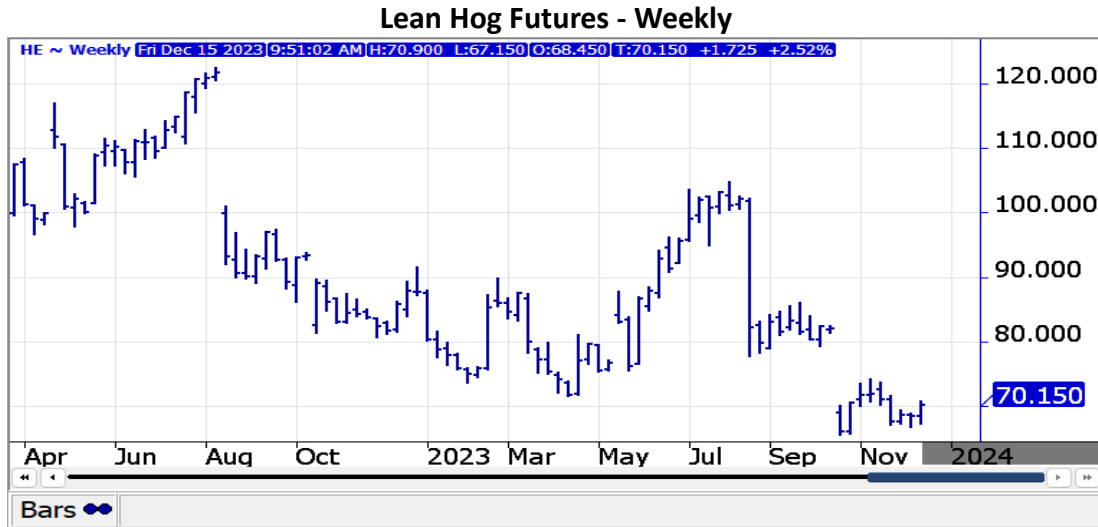
The drop in cattle prices was caused by several reasons, including slowing beef demand because of high retail beef prices for consumers in the U.S. and the slowing of beef exports with higher beef prices in the U.S. compared to prices and more available beef supplies in Brazil and Australia.

At the end of November 2023 year-to-date federal livestock cattle slaughter was down 4.7% compared to November 2022 with the USDA estimate of 1,472,000 fewer cattle. Comparing beef prices on November 1, 2022 the 5-day average composite price for choice beef was \$262.34 and as of November 1, 2023 the price average was up to \$307.27, an increase of 17.11%. By November 30, 2023, the average composite choice boxed beef price was down to \$297.50.



Lean Hogs

An increase in U.S. hog slaughter continued to pressured prices in November. U.S. federal hog slaughter has increased throughout 2023, and as of the beginning of November 2023 year-to-date slaughter was 1.5% more than the same period in 2022. During November 2023 slaughter increased to be 1.6% higher with 1,801,000 more hogs year-to-date. The CME lean hog index began November at \$76.84 and by month-end the lean hog index was \$71.35. Hog prices were also affected by a downturn in international prices and supplies. There was news from China on November 27 that Chinese hog futures posted record low prices, and the USDA reported hog production in Brazil was up 3.12% in 2023 to record high production.



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 **December 15, 2023** and is intended to be informative and does not guarantee price direction.*

Stock Index Futures

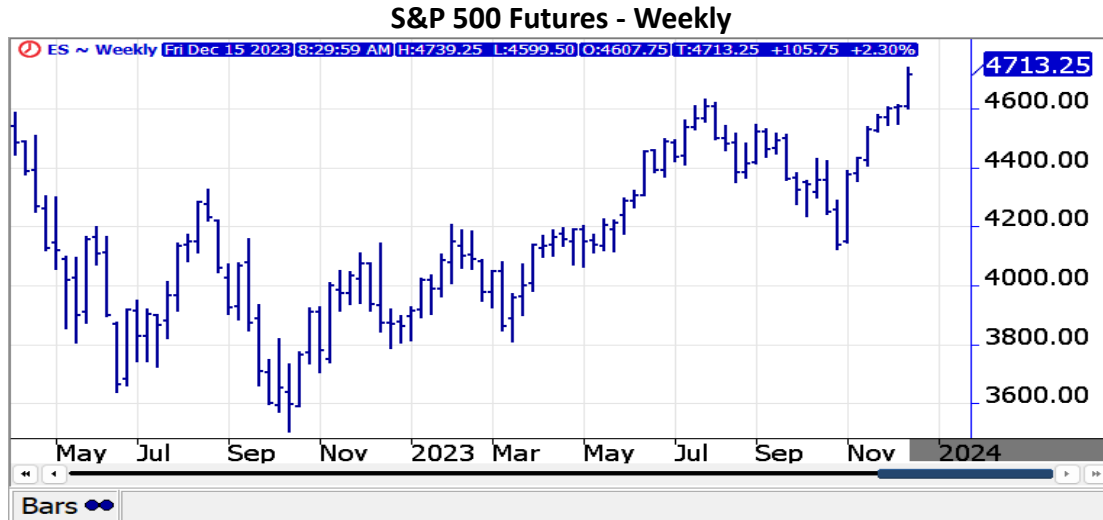
Stock index futures advanced, including a new record high for Dow Jones stock index futures, due to the Federal Open Market Committee's dovish policy statement and Federal Reserve Chair Powell's press conference. The Federal Reserve held interest rates steady and signaled inflation had improved more rapidly than anticipated, which opened the door to interest rate cuts next year. Most officials penciled in three interest rate reductions in 2024 in economic projections released after the Fed's policy meeting on December 13.

Stock index futures have trended higher in November and December on the growing belief that the Federal Reserve has concluded its interest rate hiking cycle. Much of this was linked to mostly weaker than expected inflation reports.

The fundamentals and technicals remain supportive to stock index futures.

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U.S. Dollar Index

The U.S. dollar index quickly dropped to a four-month low due to the FOMC statement and Federal Reserve Chair Powell's press conference. Severe technical damage was done to the greenback in November when major trendlines were penetrated on the downside as economic reports reinforced beliefs that the Federal Reserve has reached the end of its tightening cycle.

There was only temporary support for the U.S. dollar when the December 8 employment data came in on balance stronger than expected. Non-farm payrolls in November increased 199,000 when a gain of 180,000 was anticipated. The unemployment rate was 3.7% when 3.9% was estimated, and average hourly earnings increased 0.4% when up 0.3% was expected.

Overall, the U.S. dollar has underperformed the news in since early October. Additional weakness is likely.

Euro Currency

The euro currency trended higher since early October and into December. There has been some profit taking in early December. However, the uptrend for the euro resumed in light of changing interest rate differential expectations.

There was support for the euro on 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. In addition, there was support for the currency of the euro zone when Bundesbank President Joachim Nagel said a cut in the European Central Bank's interest rates won't be happening in the near future. Borrowing costs "have to remain at a high level for a sufficient period."

Not all of the news was supportive. Industrial production in the euro area declined by 1.1% month-over-month in September 2023, following 0.6% growth in the previous period and surpassing the anticipated decrease of 1.0%.

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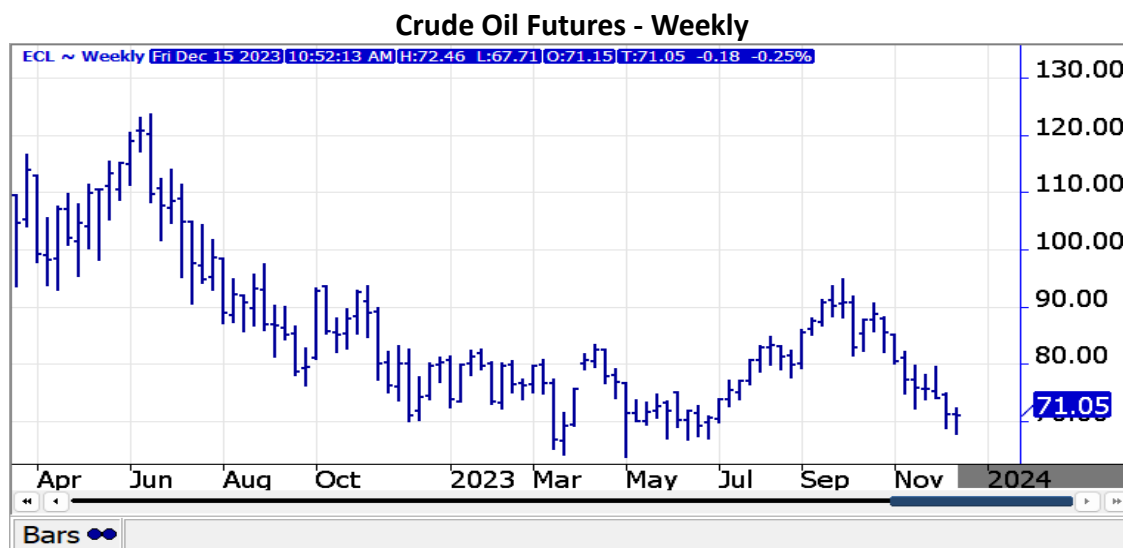
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The currency of the euro zone has overperformed the news, which suggests higher prices are likely into the end of the year.

Crude Oil

Crude oil futures increased to near the \$73 per barrel level and were on track for the first weekly gain in two months. Much of this was due to dovish signals from the U.S. Federal Reserve, a weaker U.S. dollar and an improving forecast for global oil demand in 2024. Earlier this week, the U.S. central bank strongly hinted at possible interest rate reductions in 2024, pressuring the greenback, while boosting risk assets.

The International Energy Agency said in its monthly report that global oil consumption will increase by 1.1 million barrels per day in 2024, which is up 130,000 bpd from its previous forecast. In addition, OPEC previously projected 2.2 million barrels per day global oil demand growth for next year.



Gold

Gold advanced to a record high on December 4 in a spike to the upside move. Much of the gains were given back since then, although there was renewed buying in light of the Fed's tilt to the dovish side. The yellow metal was underpinned by a weakening U.S. dollar and declining Treasury yields after the Federal Reserve signaled three rate reductions in 2024 amid a faster-than-anticipated decline in inflation. Fed Chair Jerome Powell said that a discussion of a reduction in borrowing costs is coming "into view." Stronger than expected U.S. retail sales and a decline in weekly jobless claims did little to change rate cut expectations. Additional price gains are likely for gold.

Gold Futures - Weekly



All charts provided by QST

Support and Resistance

Grains

March 24 Corn

Support 4.70 Resistance 5.00

January 24 Soybeans

Support 12.70 Resistance 13.50

March 24 Chicago Wheat

Support 5.55 Resistance 6.50

Livestock

February 24 Live Cattle

Support 157.00 Resistance 180.00

February 24 Lean Hogs

Support 63.50 Resistance 77.50

Stock Index

March 24 S&P 500

Support 4685.00 Resistance 4880.00

March 24 NASDAQ

Support 16550.00 Resistance 17670.00

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Energy

February 24 Crude Oil

Support	68.30	Resistance	76.00
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February 24 Natural Gas

Support	2.210	Resistance	2.550
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Metals

February 24 Gold

Support	2022.0	Resistance	2120.0
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March 24 Silver

Support	23.45	Resistance	25.80
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March 24 Copper

Support	3.8100	Resistance	3.9700
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Currencies

March 24 U.S. Dollar Index

Support	101.000	Resistance	102.700
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March 24 Euro Currency

Support	1.08900	Resistance	1.11400
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