



Monthly Commodity Futures Overview February 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 **February 14, 2024**. This report is intended to be informative and does not guarantee price direction.*

In the February 2024 WASDE report the USDA raised U.S. corn ending stocks 10 mil. bu. to 2.172 bil., which is roughly 40 mil. above expectations. The only change to the balance sheet was a 10 mil. bu. cut to FSI usage, not ethanol. We were expecting no change to the balance sheet this month. World stocks fell 3 mmt to 322 mmt, slightly below expectations. Brazilian production was cut 3 mmt to 124 mmt, while their exports were reduced by 2 mmt to 52 mmt, now slightly below the U.S. export forecast.

Offsetting the lower Brazilian exports was a 2 mmt increase to Ukraine's exports. Argentine production was left unchanged at 55 mmt. There was no change to Chinese imports, which were left at 23 mmt. The average farm price held steady at \$4.80 bu. I have been expecting spot corn to reach a low between \$4.00 - \$4.25 sometime in the first quarter. With March 2024 corn below \$4.30 I see no reason to change this opinion as markets brace for the USDA February 2024 Outlook Conference balance sheets on February 15 and 16. With the speculative short position approaching 300k contracts, nearing a four year low, we are certainly vulnerable to a short covering surge. So far we've just been lacking a spark to ignite.

U.S. soybean ending stocks rose 35 mil. bu. to 315 mil. at the very high end of expectations, and vs. the average estimate of unchanged. The only change to the balance sheet was a 35 mil. bu. cut to exports. We were looking for exports to be lowered 25 mil. with a 10 mil. bu. increase to crush. There were no changes to either meal or oil balance sheets. The average U.S. farm price slipped \$.10 to \$12.65 bu. Global stocks rose 1.5 mmt to 116 mmt, vs. expectations for a 1.5 mmt decline. The USDA increased last year's Brazilian crop another 2 mmt to 162 mmt, which carried right through to higher ending stocks.

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This year's 2023/24 production was cut only 1 mmt to 156 mmt, above the Conab forecast of 149.4 mmt. Chinese imports were left unchanged at 102 mmt. For the moment, spot March 2024 soybeans seem stuck between \$11.80 - \$12.05. Longer term support is at \$11.45 with resistance at \$12.47. March 2024 meal is holding just above key support at \$341. March 2024 oil has built support between \$.4450 and \$.4500 as renewable diesel capacity is expected to expand another 1.4 bil. gallons in the first half of 2024. Resistance for March 2024 oil is at its 50-day moving average currently \$.4829. With U.S. ending stocks over 300 mil. bu., and in my opinion likely to build, I have a downside target for spot soybeans at \$11.25 before the end of the first quarter.

U.S. wheat ending stocks rose 10 mil. bu. to 658 mil., vs. expectations for no change. Usage for food was cut by this amount. HRW and SRW classes rose 5 and 4 mil. bu. respectively. World stocks fell less than 1 mmt to 259.4 mmt, which was in line with expectations. The only noted change in the world balance sheet was a 1 mmt increase in Ukraine's exports to 15 mmt and .5 mmt increases to exports for both Argentina and Australia. U.S. winter wheat areas in drought fell another 5.0% last week to only 17%, which is well below the 58% at this point a year ago. Near-term support for Chicago March 2024 is at last month's low of \$5.73¼. Support for spot Kansas City is at the recent contract low at \$5.86¾.

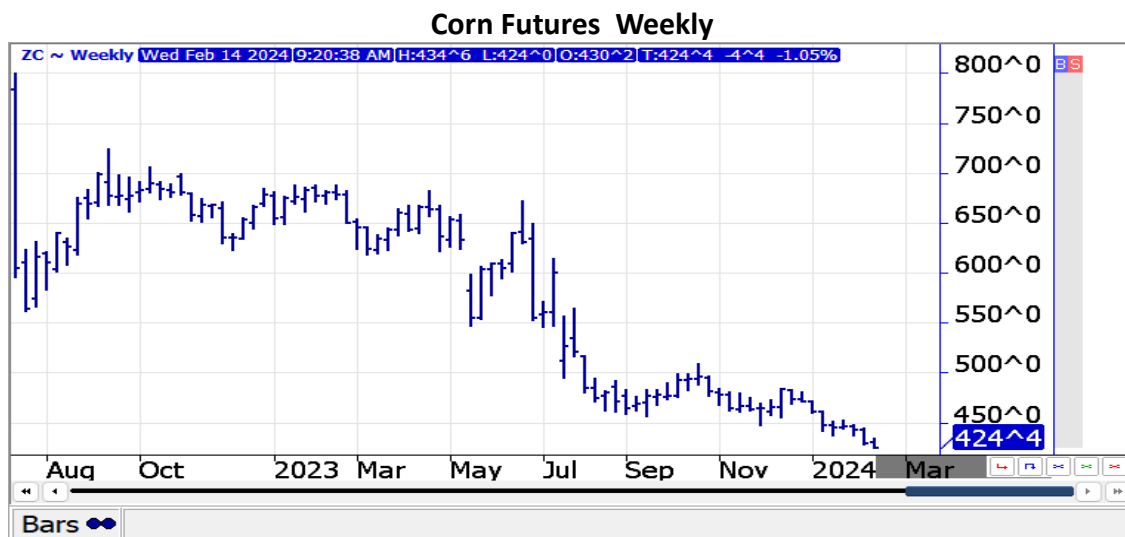


Chart from QST

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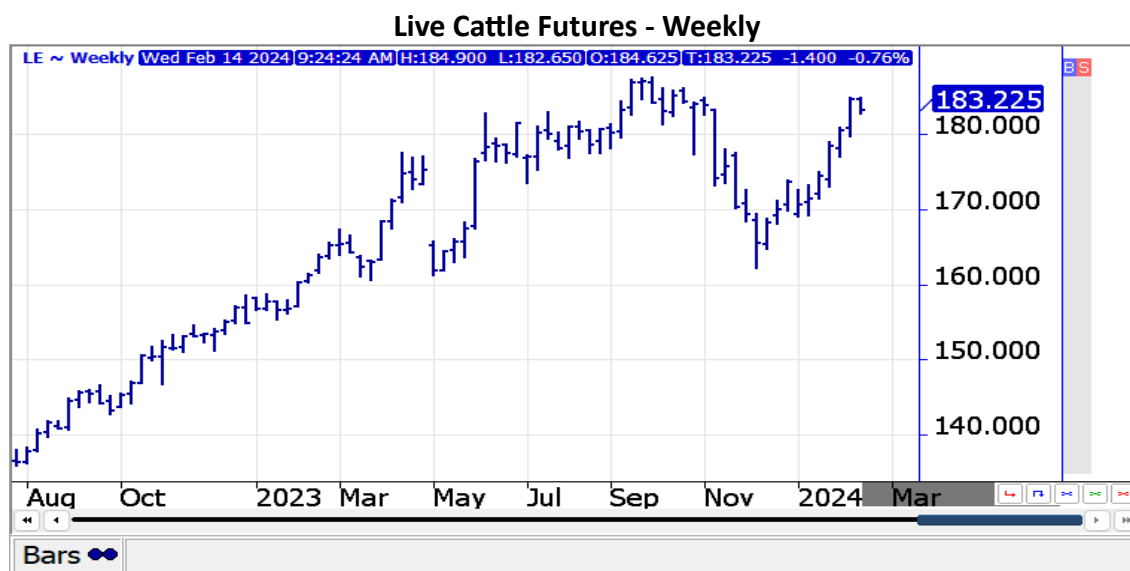
Livestock Outlook by Chris Lehner, Senior Livestock Analyst, contracted by ADM Investor Services

The following report is an overview as of **February 14, 2024** and is intended to be informative and does not guarantee price direction.

Live Cattle

The 2024 cattle market began like many other past years. The boxed beef market in the first week of the year saw a drop in demand for top primal cuts, rib and loin sections, with prices falling and an increase in demand for less expensive beef cuts, briskets, short plates and flanks, with increases in price. Consumers slowed going out to eat for holiday parties and buying for home celebrations. Consumers shifted and opted for cheaper beef to offset December holiday spending. During the first week of January 2024 choice boxed beef prices dropped \$8.18/cwt and select beef was \$1.41 lower, indicating consumers' desire for cheaper beef.

However, the market tone quickly changed in the second week of January. A winter storm moved from Canada down to Texas with subzero temperatures with blowing and drifting snow. Feedlots were unable to move cattle to a packer and the severe drop in temperatures devastated feed conversions. In the first week of January steer and heifer carcasses averaged 903.3 pounds and by month-end the average was 874.7 pounds. Roads closed and stopped movement of cattle to the packer. Year-to-date slaughter by January 31 was down 7.1%. With fewer cattle available cash cattle prices gained as did live cattle futures. February 2024 live cattle on December 29, the last trading day of 2023, settled at \$172.25/cwt., and on January 31, 2024 it closed at \$180.70/cwt.



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Lean Hogs

January 2024 began with above normal temperatures and very little precipitation. But conditions quickly changed to blowing and drifting snow with subzero temperatures on January 9. With hogs raised in confinement and out from the harshest weather, there became a problem moving hogs to a packer. Many roads throughout the Midwest were closed for three to four days. Producers also did not want to move hogs in subzero temperatures.

The first week of January 2024 with the mild weather, hog slaughter for the week was 2,381,000 head. By the second week during the severest weather slaughter dropped to 2,279,000. Hog prices increased with the drop in slaughter. The CME lean hog Index gained in January about \$6.00/cwt and the CME pork cutout index gained about \$5.00/cwt. Before the blizzard February 2024 lean hog futures dropped to a contract low close on January 2, 2024 to \$65.32/cwt. With forecasts anticipating the storm, traders reacted and bought lean hog futures. Lean hogs rallied from \$65.32/cwt to settle on January 31 on a monthly high close at \$76.35/cwt. for a gain of \$11.02/cwt.

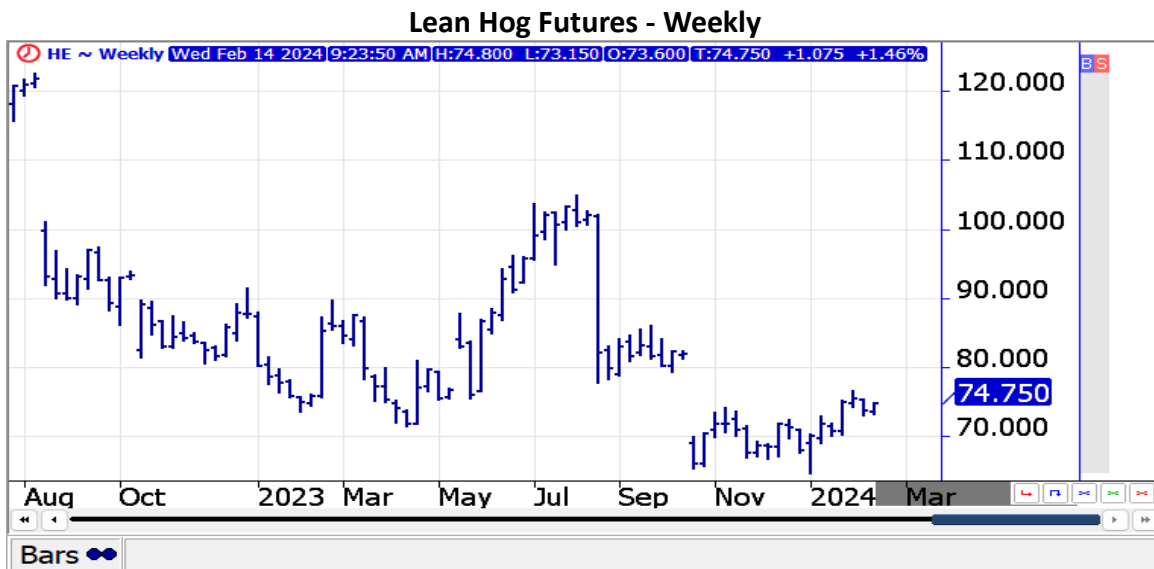


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Stock Index, Currency, Crude Oil and Precious Metal Futures Market Outlook by Alan Bush, Senior Financial Economist, ADM Investor Services

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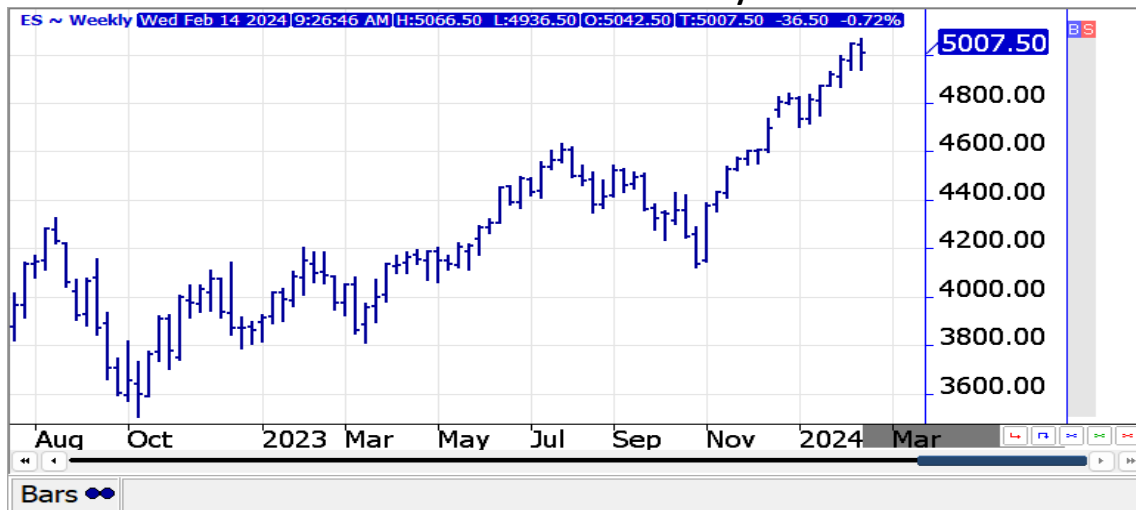
Stock Index Futures

Stock index futures have been very strong this year, including recent record highs for S&P 500, NASDAQ and Dow futures. However, there was selling when the January consumer price index came in at up 0.3% when a gain of 0.2% was expected, and the January consumer price index, excluding food and energy, was up 0.4% when an increase of 0.3% was anticipated.

Futures have steadily marched higher in 2024 despite the ongoing belief that the Federal Open Market Committee will be slow to pivot to accommodation this year. So, it appears that some other fundamentals are dominating that are not yet obvious. Keep in mind that it is a rule of thumb that any time a market can advance on bearish news, which is the case now in light of a Federal Reserve that is slow to pivot to accommodation, it is an indication of likely follow-through gains.

The fundamentals and technicals remain supportive to stock index futures.

S&P 500 Futures - Weekly



U.S. Dollar Index

The U.S. dollar has been strong in 2024, which coincides with the consensus view that the Federal Reserve may be slow to reduce its fed funds rate this year. Also, economic reports have held up relatively well. For example, nonfarm payrolls in January increased 353,000 when up 170,000 was expected, and private payrolls were up 317,000 when an increase of 142,000 was anticipated. The unemployment rate was 3.7% when 3.8% was forecast.

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In addition, there was support for the greenback when the Organisation for Economic Co-operation and Development (OECD) chief economist said the U.S. economy is showing “remarkable strength” compared with Europe. The Paris-based Organisation revised up its forecasts for U.S. growth next year, while it lowered expectations for most of the euro area.

Interest rate differentials remain supportive to the U.S. dollar.

Euro Currency

The euro currency topped in late December and recently declined to its lowest level since November, 2023. Economic reports have been mostly weaker than anticipated. Germany's industrial production declined more than anticipated in December, posting the seventh consecutive month of falling output. Output declined 1.6% compared with the previous month, from an upwardly revised 0.2% drop in November. This compared with a forecast of a 0.3% contraction. For the entire year of 2023 industrial production fell 1.5%. German commercial property prices fell 12.1% in the fourth quarter of 2023 compared with a year earlier, which is the largest decline on record.

On the plus side, German investor morale improved more than estimated in February, according to the ZEW economic research institute. The institute reported an improvement in its economic sentiment index to 19.9 points from 15.2 points in January. The February increase, the seventh in a row, beat expectations of a reading of 17.5.

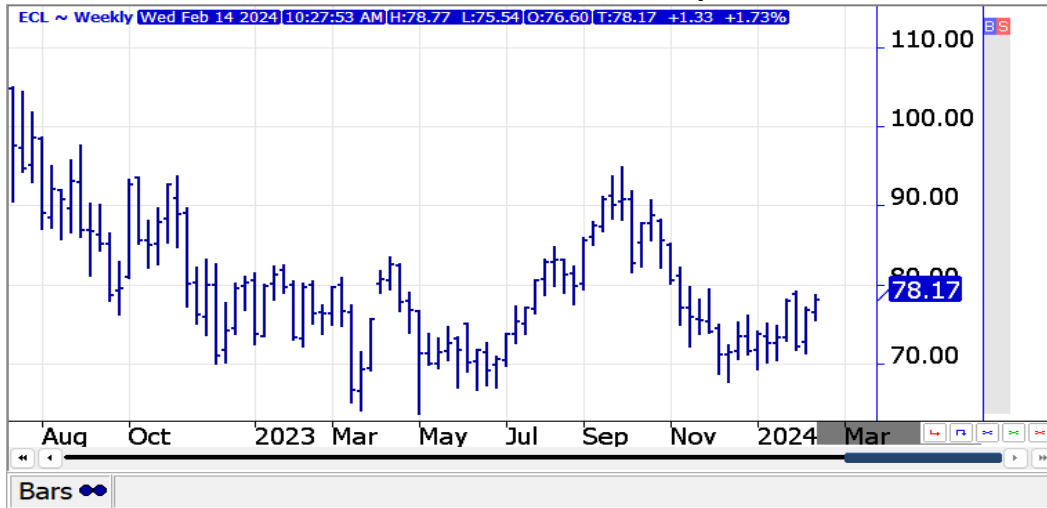
Interest rate differential expectations have turned against the currency of the euro zone, and lower prices are likely.

Crude Oil

Crude oil prices are edging higher due to growing tensions in the Middle East and by OPEC's optimistic demand growth forecast, along with a dip in U.S. fuel stocks. OPEC's report predicted an increase in global oil demand through 2024 and 2025. U.S. gasoline and distillate fuel stockpiles saw significant declines, surpassing analysts' expectations, which was also supportive. However, gains were limited by U.S. crude oil inventories increasing by a larger-than-forecast 8.52 million barrels, reflecting reduced crude oil consumption and fuel production due to refinery downtime.

Gains are being limited by a hot consumer price index reading and fading hopes for early Federal Reserve interest rate cuts in 2024.

Crude Oil Futures - Weekly



Gold

Gold futures drifted lower in February in response to U.S. dollar strength. In addition, prices quickly declined when the January consumer price index came in at up 0.3% when a gain of 0.2% was expected. The January consumer price index, excluding food and energy, was up 0.4% when an increase of 0.3% was anticipated. This higher than anticipated inflation number exerts pressure on the Federal Reserve to delay cutting its fed funds rate this year.

Downward pressure on global interest rates and central bank buying remains a long term supportive influence on the gold market.

Gold Futures - Weekly



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SUPPORT AND RESISTANCE

Grains

March 24 Corn

Support	4.10	Resistance	4.60
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March 24 Soybeans

Support	11.45	Resistance	12.47
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March 24 Chicago Wheat

Support	5.55	Resistance	6.50
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Livestock

February 24 Live Cattle

Support	172.00	Resistance	193.00
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February 24 Lean Hogs

Support	74.50	Resistance	86.00
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Stock Index

March 24 S&P 500

Support	4930.00	Resistance	5090.00
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March 24 NASDAQ

Support	17600.00	Resistance	18300.00
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Energy

March 24 Crude Oil

Support	73.40	Resistance	80.80
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March 24 Natural Gas

Support	1.550	Resistance	1.850
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Metals

April 24 Gold

Support	1988.0	Resistance	2060.0
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March 24 Silver

Support	21.70	Resistance	23.90
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March 24 Copper

Support	3.6850	Resistance	3.8500
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Currencies

March 24 U.S. Dollar Index

Support	103.400	Resistance	105.250
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March 24 Euro Currency

Support	1.06500	Resistance	108.500
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