ADM Investor Services, Inc.

Monthly Commodity Futures Overview
October 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 **October 18, 2024.** This report is intended to be informative and does not guarantee price direction.*

Corn

The October 2024 USDA production and WASDE data were largely neutral and rather uneventful by USDA standards. U.S. production rose 17 mil. bu. to 15.203 bil., which is roughly 50 mil. above expectations. The record yield was extended to 183.8 bpa, which is up from 183.6 bpa in September. Harvested acres were left unchanged at 82.71 mil. Notable yield changes were Indiana down 8 bpa, Ohio down 4 and North Dakota down 2. Iowa was up 2 bpa, Kansas up 7 and Missouri up 4. Old crop demand was massaged to get 2023/24 ending stocks down to 1.760 bil. as outlined in the September 30 report. The only change to new crop demand was a 25 mil. bu. increase to export to 2.325 bil., leaving 2024/25 ending stocks at 1.999 bil., which is slightly above expectations.

Global stocks were down nearly 2 mmt to 306.5 mmt, which was in line with expectations. Ukraine's production was cut 1 mmt to 26.2 mmt. However, the EU was left unchanged at 59 mmt. Recent pressure on corn can be attributed to the rapid pace to harvest, along with renewed speculative selling following weeks of short covering. Despite the recent drop below $4.00 in spot December 2024 futures, I do not think there is considerable downside price risk. I expect the contract low at $3.85 to hold. That said, however, upside potential is likely limited with record yields and weak demand interest from China. I anticipate a $3.90 - $4.30 range for spot futures until more is known about South American production, which is likely into early 2025.

Corn Futures - Weekly

Charts from QST

Soybeans

U.S. production slipped 4 mil. bu. to 4.582 bil., which is still a record large crop. However, it was in line with expectations. The average yield was cut .1 bpa, yet remains a record high at 53.1 bpa. Harvested acres were left unchanged at 86.271 mil. Notable yield changes were Indiana and Ohio down 3 bpa, while Minnesota and Wisconsin were down 1 bpa. Illinois was up 2 bpa and Iowa was up 1 bpa. Old crop demand was massaged to get 2023/24 ending stocks down to 342 mil. bu. as outlined in the September 30 report.

Very minor changes to new crop demand resulted in 2024/25 ending stocks holding steady at 550 mil. bu., which was also in line with expectations. Global stocks were virtually unchanged at 134.65 mmt. As the U.S. harvest begins to shift into its final stretch, the market's attention will shift to South American weather and macro events, including the U.S. election, which is less than four weeks away. Recent price weakness is attributed to increased farmer and speculative selling, along with improved weather in South America, enabling Brazilian plantings to accelerate. Without a weather problem here, I expect November 2024 beans to challenge its contract low at $9.55. If combined production in Argentina, Brazil and Paraguay reaches 231 mmt, as forecast by the USDA, its current export forecast at 1.850 bil. bu. is likely a reach.

Wheat

U.S. ending stocks dropped 16 mil. bu. to 812 mil., which is a touch below expectations as feed and residual use rose 10 mil. bu. The USDA left its export forecast unchanged for now at 825 mil. bu. I was expecting a 25 mil. bu. increase, anticipating lower global production. Global production was cut 2 mmt to 794 mmt. However, world stocks rose .5 mmt to 257.7 mmt, which was slightly above expectations. EU and Russian production were both cut 1 mmt to 123 and 82 mmt respectively. This was partially offset by a .6 mmt increase to Ukraine's production to 22.9 mmt. There was no change to Australian production as that was left at 32 mmt.

I anticipate prices will make a push into new highs with an objective of $6.40 for December 2024, Chicago. I believe there is little to no "War Premium" left in the wheat market with much uncertainty over a potential Russian export price floor. Reports of somewhere between $240 - $250 /mt on a FOB basis for international tenders. With tight stocks among global exporters, I expect U.S. wheat will remain competitive in the global marketplace.

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

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Live Cattle

By September 30, 2024 the U.S daily cattle slaughter year-to-date was 23,301,230 head, which was down 938,422 head year-to-date or 3.9% lower year-to-date compared to 2023. The national average steer price was $185.18. For the same period in 2023 slaughter was down 1,129,000 head compared to 2022. The national average cash steer price was $184.10. For 2024 the CME Boxed Beef Index was $296.51, and in 2023 the index price was $294.16. With the cattle inventory dropping for two years, and with the cattle inventory in 2024 near 75 year lows, prices are close to the same.

Live Cattle Futures - Weekly

Lean Hogs

While cattle inventories are down in 2024, hog inventories are up in 2024. U.S hog slaughter was up 1,102,832 head by the end of September 2024. Year-to-date in 2023 hog slaughter was up 1,274,000 head, for two years of increasing supplies The CME Lean Hog Index by the end of September 2024 was $84.13. For 2023 it was $87.14. The CME Pork Cutout Index by month-end September 2024 was $94.19 compared to 2023 at $97.80. According to the U.S. Meat Export Federation pork exports on September 1, 2024 were 1,996,732 metric tons, which is up 4% compared to 2023 when exports were 1,913,338 metric tons.

Lean Hog Futures - Weekly

All Charts from QST

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

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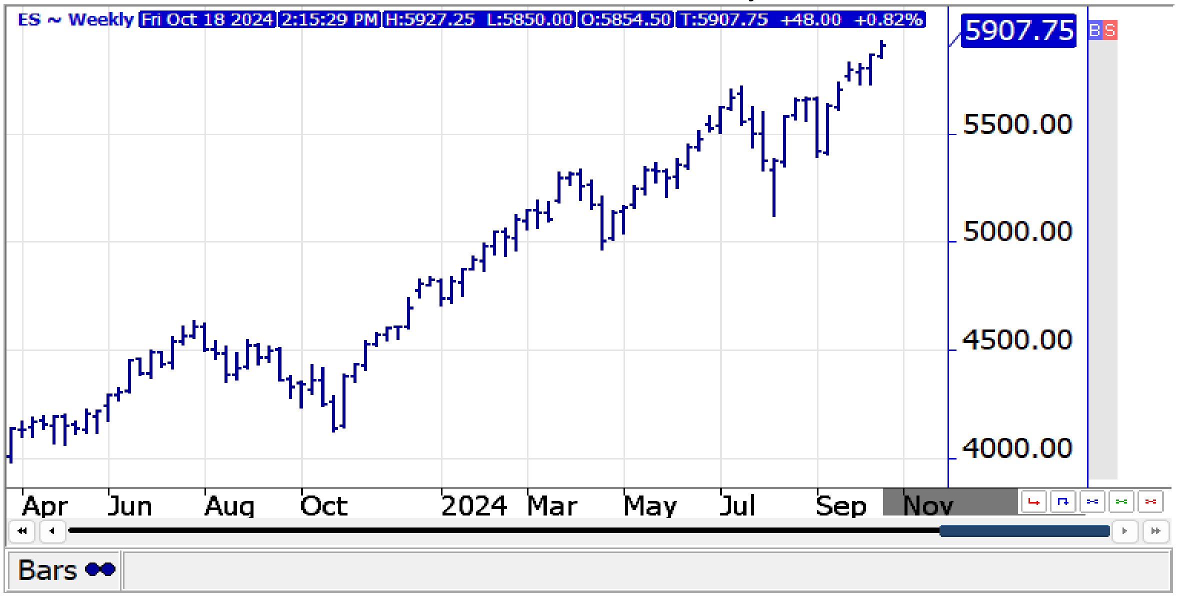
Stock Index Futures

Stock index futures continue to advance with S&P 500 and Dow futures reaching new record highs in light of mostly better than expected U.S. bank earnings reports. In addition, futures advanced in light of mostly stronger than expected economic reports. Retail sales in September increased 0.4% when up 0.3% was expected, and the October Philadelphia Federal Reserve manufacturing index was 10.3 when 3.0 was anticipated. Also, jobless claims in the week ended October 12 were 241,000 when 260,000 were forecast.

Futures continued to advance despite the weak housing starts report. Housing starts in September at an annualized rate were 1.354 million when 1.400 million were expected, and permits at an annualized rate were 1.428 million when 1.500 million were anticipated.

The technical aspects for stock index futures remain supportive.

S&P 500 Futures - Weekly



U.S. Dollar Index

The U.S. dollar index steadily advanced in October and recently hit the highest level since August 2. The greenback was able to hold up well despite the bearish September housing starts and permits report.

In addition, there is the flight to safety influence supporting the U.S. dollar in light of increasing geopolitical tensions in the Middle East.

Another bullish influence on the U.S. dollar is the recent economic data, which has diminished the likelihood of the Federal Reserve aggressively lowering its fed funds rate going forward. However, it still appears that interest rate cuts from the Federal Open Market Committee will take place at November and December policy meetings.

Currently there is an 89% probability that the FOMC will lower its fed funds rate by 25 basis points at its November 7 policy meeting and there is an 11% chance that the Fed will keep rates unchanged at 4.75% to 5.00%.

Interest rate differentials remain supportive to the greenback and higher prices are likely.

Euro Currency

The euro currency has come under pressure in October and recently traded at its lowest level since July 3, recording its third consecutive weekly decline as money markets adjust their predictions for further interest rate cuts from the European Central Bank.

The ECB has reduced interest rates for the third time this year last week, citing improved control over inflation as a result of deteriorating economic conditions in the euro zone. Comments from ECB President Christine Lagarde were interpreted as a downgrade of the economic outlook, causing markets to anticipate a 25 basis point cut at every meeting through the middle of 2025.

Currently a 25 basis point reduction in December is fully expected, with a 25% probability of a larger 50 basis point reduction.

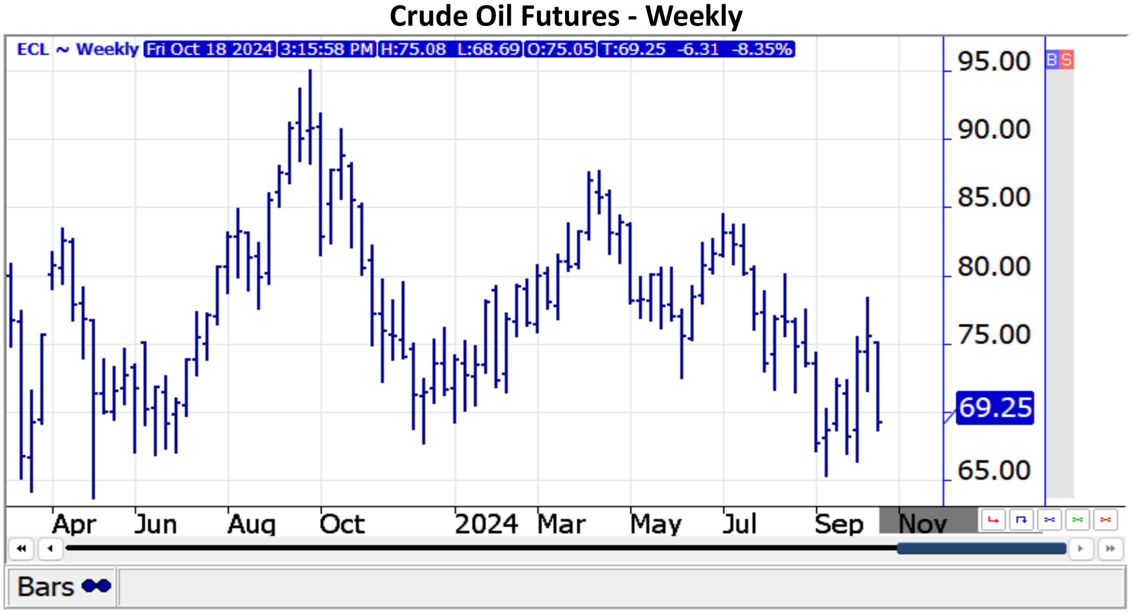
Interest rate differential expectations are likely to continue to undermine the euro currency.

Crude Oil

WTI crude oil futures dropped below $70 per barrel late last week, and prices are on track for their steepest weekly decline in over a month due to worries about demand and an anticipated coming surplus. The IEA recently revised its demand forecasts downward, indicating a potential global oversupply, while OPEC has reduced its projections for three straight months, mainly due to weaker demand from China. China's recent housing policy announcement also failed to meet analysts' expectations, which further increased worries about demand from the world's largest oil importer.

On the bullish side, investors are weighing supply risks in the Middle East

Crude Oil Futures - Weekly



Gold

December gold futures advanced to a new record high due to global demand for safe-haven assets and the anticipation of additional interest rate cuts from major central banks. Recently the European Central Bank implemented its third interest rate cut this year, reducing its deposit rate to 3.25% and indicated the disinflationary process is "well on track."

Also, some of the price gains late last week can be linked to the bullish interest rate implications of the weaker than expected housing starts and permits report. Housing starts in September at an annualized rate were 1.354 million when 1.400 million were expected, and permits at an annualized rate were 1.428 million when 1.500 million were anticipated.

Traders are investing in gold and moving away from riskier assets in response to disappointing fiscal measures in China regarding the ongoing property situation.

Gold Futures - Weekly

All Charts from QST

Support and Resistance

Grains

December 24 Corn

Support 3.85 Resistance 4.30

November 24 Soybeans

Support 9.55 Resistance 10.55

December 24 Chicago Wheat

Support 5.60 Resistance 6.40

Livestock

December 24 Live Cattle

Support 183.75 Resistance 190.50

December 24 Lean Hogs

Support 73.00 Resistance 80.37

Stock Index

December 24 S&P 500

Support 5820.00 Resistance 6000.00

December 24 NASDAQ

Support 20000.00 Resistance 20620.00

Energy

December 24 Crude Oil

Support 64.50 Resistance 72.60

December 24 Natural Gas

Support 2.690 Resistance 2.880

Metals

December 24 Gold

Support 2680.0 Resistance 2825.0

December 24 Silver

Support 31.450 Resistance 34.900

December 24 Copper

Support 4.2500 Resistance 4.5000

Currencies

December 24 U.S. Dollar Index

Support 102.600 Resistance 104.550

December 24 Euro Currency

Support 1.07600 Resistance 1.09400