# Monthly Commodity Futures Overview
# June 2022 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 **June 16, 2022.** This report is intended to be informative and does not guarantee price direction.*

The USDA's June report was neutral for corn, soybeans and wheat futures. After the June USDA report, July soybean futures traded up from 17.84 to 16.82 and July corn went from 7.58 to 7.88. Grain prices are adjusting to higher food, fuel and wage inflation. Commodity prices are also trying to adjust to lower U.S. stock market trends.

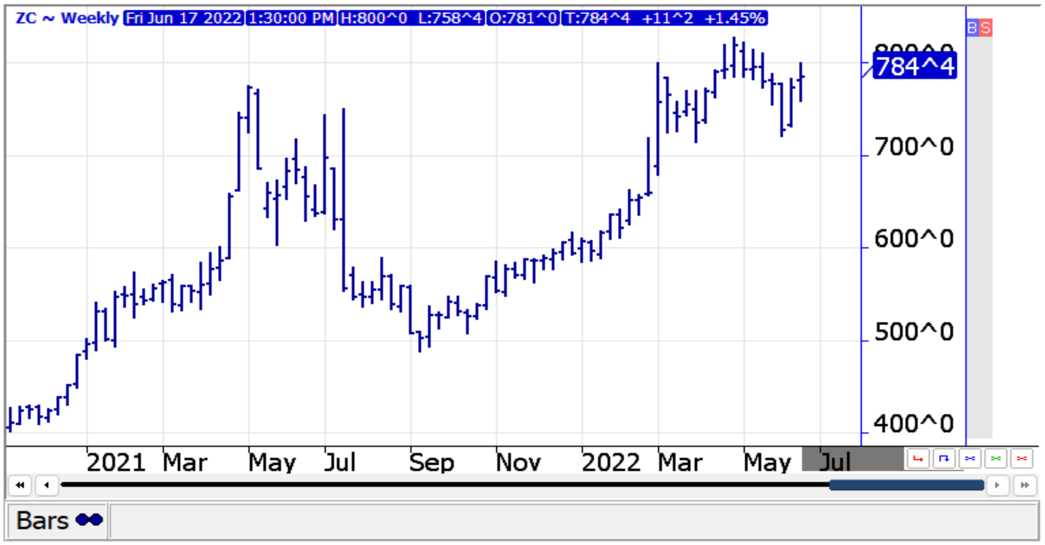
In June, the USDA raised its U.S. 2021/22 corn carryout to 1,485. Some feel U.S. corn export demand could increase U.S. corn exports to 2,700 mil bu versus the USDA's 2,450. The USDA's June U.S. corn yield remained at 177. The USDA estimated the U.S. 2022/23 corn carryout to be near 1,400. Informa this week estimated U.S. 2022 corn acres at 91.0 million versus the USDA March estimate of 89.4 and 93.3 last year. U.S. domestic basis remains elevated.

The USDA lowered the April U.S. 2020/21 soybean carryout to 205 mil bu. This was due to an increase in exports. July soybean futures could be supported by lower South America supplies and higher U.S. demand. China soybean buying to date is behind pace to reach the USDA's goal. Brazil could be out if soybean export supplies starting in August. Talk of a slower U.S. soybean crush may be helping soymeal futures. Increased Indonesia palmoil exports and concerns about China's demand due to new covid lockdowns are weighing on soyoil futures. Informa this week estimated U.S. 2022 soybean acres at 88.7 million versus the USDA's March estimate of 90.9 and 87.2 last year.

The USDA estimated the U.S. 2022/23 wheat carryout at 627 mil bu. Some analysts feel private estimates of the U.S. 2022 spring wheat crop may be too high. The USDA estimated world 2022/23 end stocks to be near 266 mmt. versus 267 previous and 279 last year. The world 2022/23 wheat exporters stocks-to-use ratio is near a record low. The key now is global demand

and world 2022 weather. The uncertainty surrounding the Ukraine war impact on Black Sea wheat exports adds to market volatility and reduced trade volume. Informa this week estimated U.S. 2022 wheat acres at 46.4 million versus 46.7 last year. US spring wheat acres were estimated at 10.5 million versus the USDA March estimate of 11.2 and 11.4 last year.

**Corn Futures - Weekly**




*Chars from QST*

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

*The following report is an overview as of **June 17, 2022** and is intended to be informative and does not guarantee price direction.*

### Live Cattle

Live cattle trading in May 2022 continued to see traders push prices lower. After the April 22 Cattle on Feed Report traders expected to see a large drop in placements but ended up with more placements. From the close on April 21 at $139.90 to May 31, June 2022 live cattle fell to $130.52. The May 2022 Cattle on Feed report also pressured futures with placements at 99% of 2021 and once again above what traders were expecting. But in May, live cattle futures and cash cattle prices traded independently.

At the same time cash cattle weights dropped as feedlots moved cattle to packers wanting to avoid using more feed than necessary. Cash steer cattle prices in the first week of May averaged

$143.50/cwt and the average weight was 1,454 pounds. By the end of May steers averaged $140.66/cwt and the average weight was down to 1,423 pounds.

**Live Cattle Futures - Weekly**


*Chart from QST*

## Lean Hogs

Hogs in May started out continuing the drop in prices that began in late March 2022 but reversed off of the lows on May 12. With strength from the cash hog market and from a strong pork market, June lean hogs ended the month at $107.90/cwt. The U.S. hog inventory is and has been since March 2020 declining. In 2020, because of slowdowns due to COVID, hog prices plummeted causing massive slaughter and euthanasia of breeding sows and gilts. In 2021 and 2022 there were reports of Porcine Reproductive and Respiratory Syndrome, predominately in northwest and north central Iowa, Minnesota, and South Dakota, which reduced slaughter, but it is unsure of the total amount of hogs that have died.

Regardless of why there a fewer hogs at the end of May 2022, the year to date U.S. federal hog slaughter compared to 2021 was down 4.6%, over 2,500,000 hogs and analogous to more than a total week's federal slaughter. With high prices for all meat proteins especially beef, cheaper pork has led to increased consumption by an estimated pound per person by May 2022. Hog prices remained strong in May because of the lack of available hogs and extremely competitive prices for pork compared to beef.

**Lean Hog Futures - Weekly**


*Chart 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

Futures declined as Federal Reserve officials discussed a faster timetable for raising interest rates this year. The Federal Open Market Committee at its June 15 policy meeting increased its target interest rate by 75 basis points, which is the most since 1994 and Federal Reserve Chairman Powell signaled a similar move could come at the July 27 meeting. The FOMC's vote to hike rates was 10-1, with Kansas City Federal Reserve President Esther George dissenting in favor of a 50 basis point increase. The central bank has also initiated a program to withdraw stimulus by shrinking its $8.9 trillion asset portfolio through attrition.

Most economic reports are coming in weaker than expected. For example, housing starts in May were 1.549 million when 1.695 million were expected and permits were 1.695 million, which compared to the anticipated 1.780 million. In addition, the June Philadelphia Federal Reserve manufacturing index was negative 3.3 when 5.5 was estimated.

The rate of inflation remains the key driver to this market. A likely bottom could come when there are indications that the rate of inflation is slowing, which is not the case currently. However, when there are signs that inflation is moderating it could influence the Federal Reserve to become less hawkish.

**S&P 500 Futures - Weekly**


*Chart from QST*

## U.S. Dollar Index

The U.S. dollar index recently advanced to the highest level in 20 years. Most of the strength is linked to Federal Reserve officials indicating a readiness to take more aggressive steps to bring inflation under control. Most inflation measures have come in hotter than expected. For example, the May consumer price index increased 1.0% when up 0.7% was expected and the consumer price index, excluding food and energy, was up 0.6% when a gain of 0.5% was anticipated.

The Federal Reserve is likely to continue to hike interest rates this year despite signs that growth in the U.S. economy is slowing. According to the Atlanta Fed's GDPNow model estimate for real GDP, growth in the second quarter of 2022 has been reduced to unchanged, which is down from the previous estimate of 0.9% growth.

In addition, the greenback has been supported by a flight to quality flow of funds in light of the ongoing geopolitical tensions.

Interest rate differential expectations remain supportive to the U.S dollar index.

## Euro Currency

The euro currency depreciated to under the $1.04 level, due to mostly weaker than predicted economic reports. For example, The S&P Global euro zone construction PMI fell to 49.2 in May from 50.4 in April. The reading was the first contraction in the construction sector in nine months, and the sharpest since February of last year.

There was some support for the euro when the European Central Bank said it intends to hike its key rate by 25 basis points at its next policy meeting in July, and to increase it again in September, possibly by more than 25 basis points.

The ECB said in a statement that it would increase its key interest rate from minus 0.5% to zero or higher by September, and probably further after that. In addition, it said it would end its large-scale bond-buying program on July 1.

Currently, the fundamentals are bearish on balance for the currency of the euro zone and lower prices are likely over the near-term.

## Crude Oil

Crude oil prices have trended higher since the first week in April due to the combination of relatively good demand and limited supply hikes.

However, more recently U.S. benchmark oil prices have retreated from the June 14 highs, as investors worry about an economic slowdown and weakening oil demand. Prices have fallen by over $15. Data from the Department of Energy showed U.S. oil stocks rose by almost 2 million barrels when analysts had been forecasting a decline of 1.4 million barrels. Risk sentiment has turned negative.

**Crude Oil Futures - Weekly**


*Chart from QST*

## Gold

Gold futures have trended lower since mid-April due to the sharply higher U.S. dollar and the hawkish Federal Reserve. There has been some support due to the precious metal's safe-haven status in light of ongoing geopolitical uncertainties. Any conflict escalation in Ukraine will drive economic disruptions and more persistent inflationary pressures, which will lead markets to adopt a more risk-off mood, and in turn, underpin gold prices.

In addition, there are the inflation concerns. I anticipate central banks may be less hawkish than many analysts expect later this year, in response to slower global economic growth, which is long-term supportive to the price of gold.

**Gold Futures - Weekly**


*Chart from QST*

## Support and Resistance

### Grains

**September 22 Corn**

Support 6.75 Resistance 7.50

**September 22 Soybeans**

Support 14.50 Resistance 16.00

**September 22 Chicago Wheat**

Support 9.50 Resistance 11.50

### Livestock

**August 22 Live Cattle**

Support 128.50 Resistance 142.50

**August 22 Lean Hogs**

Support 96.50 Resistance 115.00

## Stock Index

**September 22 S&P 500**

| | | | |
|---|---|---|---|
| Support | 3640.00 | Resistance | 3900.00 |

**September 22 NASDAQ**

| | | | |
|---|---|---|---|
| Support | 10800.00 | Resistance | 12000.00 |

## Energy

**August 22 Crude Oil**

| | | | |
|---|---|---|---|
| Support | 96.50 | Resistance | 115.00 |

**August 22 Natural Gas**

| | | | |
|---|---|---|---|
| Support | 6.000 | Resistance | 7.500 |

## Metals

**August 22 Gold**

| | | | |
|---|---|---|---|
| Support | 1810.0 | Resistance | 1895.0 |

**August 22 Silver**

| | | | |
|---|---|---|---|
| Support | 21.00 | Resistance | 23.60 |

**September 22 Copper**

| | | | |
|---|---|---|---|
| Support | 3.7800 | Resistance | 4.1800 |

## Currencies

**September 22 U.S. Dollar Index**

| | | | |
|---|---|---|---|
| Support | 102.200 | Resistance | 105.650 |

**September 22 Euro Currency**

| | | | |
|---|---|---|---|
| Support | 1.04400 | Resistance | 1.07200 |

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