



ADM Investor
Services, Inc.

Monthly Commodity Futures Overview

JULY 2023 Edition

Grain Market Outlook for the United States and South America by Steve Freed, Senior Ag Consultant, contracted by ADM Investor Services

The following report is an overview of the US and South American economic, political and crop situations as of July 19, 2023. This report is intended to be informative and does not guarantee price direction.

In July, the USDA dropped the U.S. 2022/23 corn carryout 50 mil bu and increased the soybean carryout 25 mil bu. For the 2023/24 U.S. and world supply and demand estimates, the USDA estimated the U.S. carryout at 2,262 versus 2,252 last month. The USDA left the world 2023/24 corn carryout near 314.0 mmt. The Brazil crop was estimated to be 129.0 versus 133.0 this year and Argentina was 54.0 versus 34.0. China's corn imports were left at 23.0 versus 18.0. The world corn trade is estimated to be 198.2 mmt versus 176.5 this year. The U.S. was estimated to be 53.3.

The USDA estimated the U.S. 2023/24 soybean carryout at 300 versus 350 last month. The USDA lowered the world 20203/24 soybean carryout to 120.9 mmt versus 123.3 last month. In addition, the USDA estimated the 2023 U.S. soybean crop at 117.0 mmt versus 116.3 this year. Brazil was estimated to be 163.0 versus 156.0 and Argentina was 48.0 versus 25.0. China's soybean imports were 99.0 versus 98.0. The trade will be watching Brazil and Argentina farm income, which is negative and if they plant as many acres as the USDA is forecasting.

The USDA raised the U.S. 2023 wheat crop 74 mil bu to 1,739 mil bu. The USDA dropped the world 20203/24 wheat carryout to 266.5 mmt vs 270.7 last month. The USDA estimated the 2023 Russia crop at 85.0 versus 85.0 last month, Ukraine at 17.5 versus 17.5, the EU at 138.0 versus 140.5, Canada 35.0 and Australia at 29.0. The world wheat trade is estimated at 211.6 mmt versus 212.6 last year. The U.S. share is 19.7 mmt or only 9.0%.

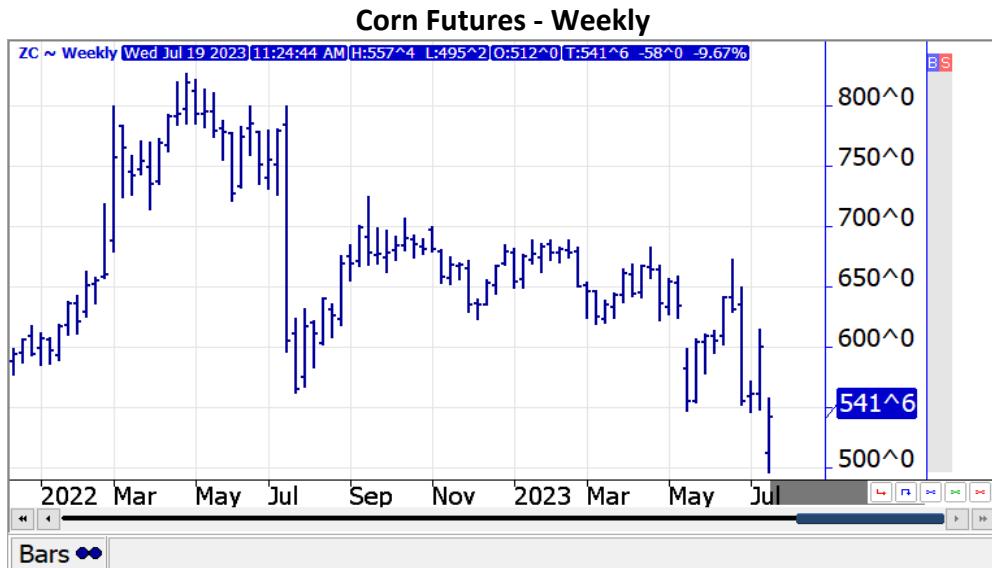


Chart from QST

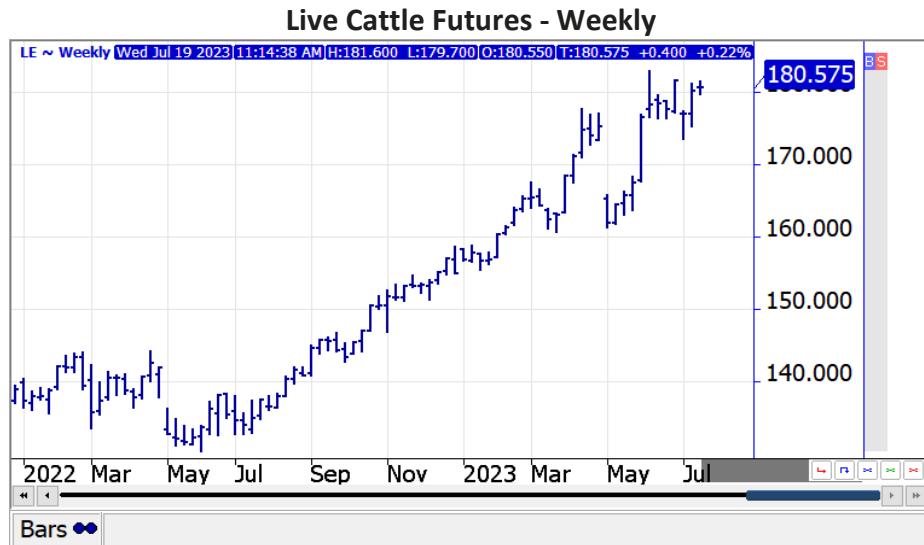
Livestock Outlook by Chris Lehner, Senior Livestock Analyst, contracted by ADM Investor Services

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Live Cattle

Cattle prices have been trending higher from April 2020 when packers slowed due to the COVID pandemic. But when packers began to increase slaughter, producers were hit with severe droughts in the western and southwestern U.S. and cow/calf producers for two years liquidated cows causing a downturn in fed cattle inventories. By the first week of June 2023, U.S. federal slaughter year-to-date slaughter was down 3.4% and cattle and beef prices were continuing the two-year rally as packers needed beef to meet contracts. On June 1, 2023 June 2023 live cattle futures opened at \$169.35/cwt and rallied to historic record highs to \$182.87/cwt. Traders took profits with June 2023 live cattle dropping to \$177.25/ cwt, although there was a recovery in the last week of June with the contract settling at \$181.50. From June 30, 2022, June 2023 live cattle moved from \$148.15/cwt to \$181.50/cwt. The national 5-day average steer weight as of June 30 was 1,402 pounds with cattle prices gaining \$467.57/head.

With the drop in cattle numbers, down 3.7% mid-June and 3.4% by month-end, there was also strong beef demand. The cumulative choice boxed beef price on June 1 was \$306.44/cwt. By June 15 beef prices were up to \$342.07/cwt and ended the month at \$327.72/cwt.

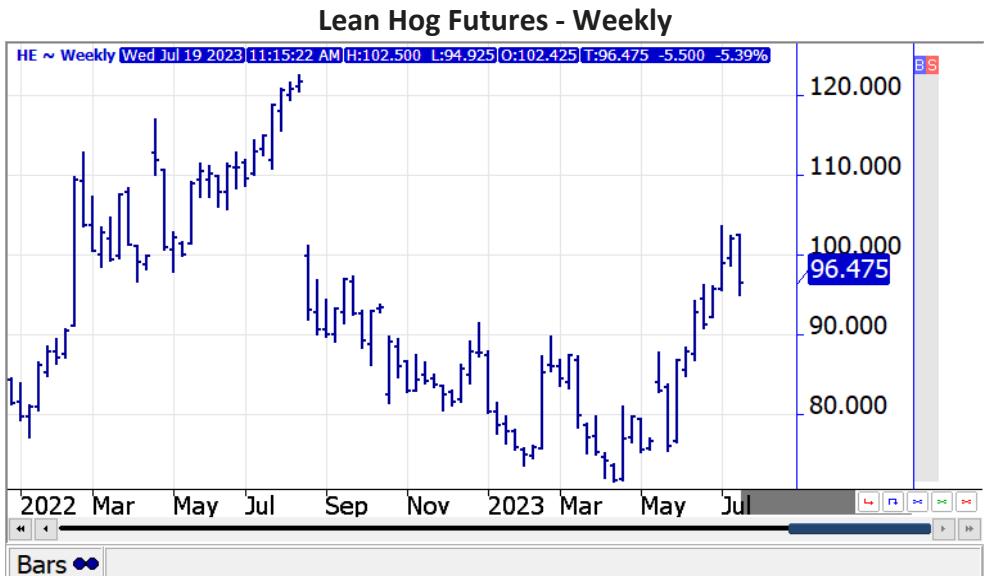


Lean Hogs

Lean hog futures from the high made on December 27, 2022 at \$109.77/cwt went into a free fall through May 26, 2023 to \$75.45/cwt. June 2023 lean hogs fell \$34.32/cwt. U.S. hog slaughter was up year-to-date, and hedgers from higher 2022 prices maintained shorts, which helped to pressure hog prices. At the same time, speculative funds primarily using spreads, such as buying live cattle and selling lean hogs, were active traders. On January 3, 2023 June 2023 live cattle futures were \$48.67/cwt over June 2023 lean hogs. By May 26 the spread widened to the historical record of \$91.27/cwt. Speculative traders needed to liquidate before June 2023 live cattle went into delivery.

Fundamentally, June 2023 lean hogs to June 2023 live cattle and pork prices to beef prices made hogs and pork cheap, and with consumers concerned with inflation, cheap pork was seen as a product to help fight inflation. On June 1 the negotiated plant price for pork carcasses was \$82.64/cwt with pork loin prices at \$86.20/cwt and hams at \$77.08. Profit taking from speculators and inexpensive pork products reversed the low hog prices.

On May 30 June 2023 lean hogs settled and bottomed at \$80.82/cwt. Fundamental buyers bought lean hogs on May 31. June 2023 lean hogs closed out on June 16 at \$86.87/cwt. During June 2023, the negotiated pork carcass gained \$18.19/cwt with loins adding \$10.09/cwt and hams up \$10.04/cwt.



Charts from QST

Stock Index, Currency, Crude Oil and Precious Metal Futures Market Outlook

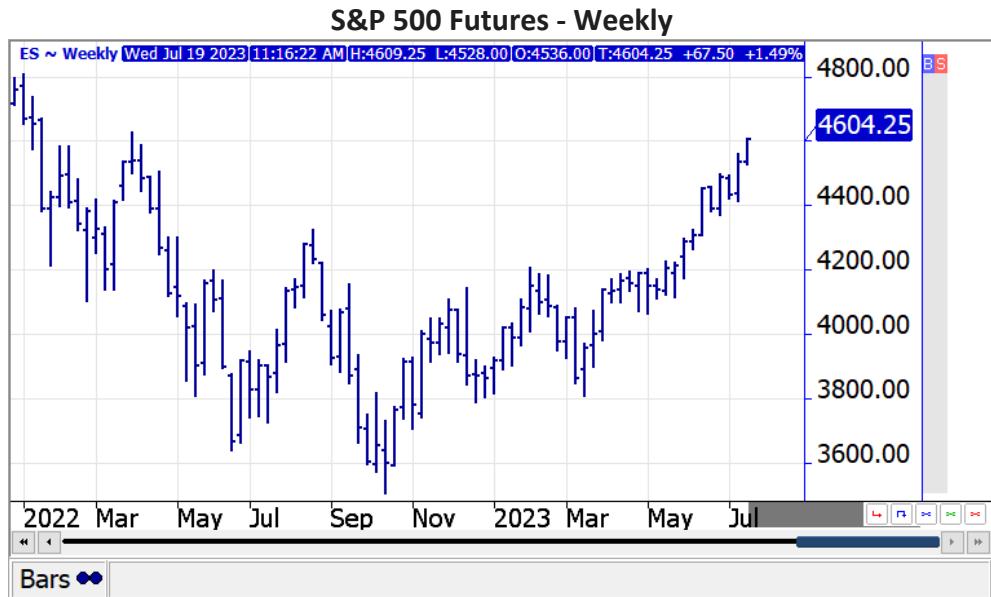
by Alan Bush, Senior Financial Economist, ADM Investor Services

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Stock Index Futures

S&P 500 and NASDAQ futures advanced to new highs for the year. Much of the strength was linked to ideas that the Federal Open Market Committee will hike its fed funds rate at its July 26 policy meeting, which will be the last one in this current tightening cycle. This belief is contrary to recent hawkish comments from Federal Reserve officials. Fed Chair Powell reiterated at the European Central Bank Forum on Central Banking that at least two interest rate increases are likely necessary this year to bring the rate of inflation down to the U.S. central bank's 2.0% target and that acting at consecutive policy meetings is not "off the table." In addition, Fed Governor Waller advocated for another increase in borrowing costs after the July meeting.

Futures continue to overperform the news, although many analysts are leaning to the bearish side, which from a contrarian point of view suggests higher prices for stock index futures, at least in the short term.



U.S. Dollar Index

The U.S. dollar index peaked in late May and trended lower in June and July. The reversal in prices was due to softer inflation numbers in the U.S., which traders believed could lead to a less hawkish Federal Reserve. On July 14 the U.S. dollar index fell to its lowest level since April 2022 after signs of cooling inflation enhanced the belief that the Federal Reserve will soon stop hiking interest rates. The greenback has underperformed the news since July 7 when the U.S. dollar index futures fell below a three-week uptrend line.

Interest rate differentials are likely to undermine the U.S. dollar in the longer term.

Euro Currency

The euro currency recently advanced to its highest level since February 2022. The currency of the euro zone was supported by expectations of higher interest rates from the European Central Bank and other major European central banks due to ongoing concerns about elevated levels of inflation in the region.

The euro has overperformed the news lately, ignoring the bearish influence of a report that showed euro zone business activity slipped into contractionary territory last month. The HCOB's final Composite Purchasing Managers' Index fell to 49.9 in June from May's 52.8. That was below the 50 mark separating growth from contraction for the first time since December and was below a preliminary estimate for 50.3.

In addition, the Ifo business-climate index declined to 88.5 in June from 91.5 in May, missing expectations of 90.5. The index assessing the expectations for the next six months fell to 83.6 in June from 88.3 in May, while the indicator gauging current business conditions declined to 93.7 from 94.8.

Also, the euro advanced in spite of news that the ZEW Indicator of Economic Sentiment for Germany dropped to -14.7 in July 2023 from the previous month's reading of -8.5 and under market expectations of -10.5.

Interest rate differentials suggest higher prices are likely for the currency of the euro zone.

Crude Oil

Crude oil futures trended higher in July as we continue to see the effects of OPEC production cuts. September crude oil futures filled the gap on the daily chart at 75.03-76.42 that was made on April 3, 2023. Crude oil inventories were down by 0.708 million barrels in the week to July 14, which was below market expectations for a 2.44 million barrel draw. Also, gasoline stocks decreased by 1.066 thousand barrels, compared with the anticipated 1.577 million barrel draw. Crude oil stocks at the Cushing, Oklahoma delivery hub declined by 2.891 million barrels, which was the most since October 2021.

There was limited pressure on prices due to reports that two of the three Libyan oil fields that were shut last week during protests were able to reopen.

Lower crude oil prices are likely in light of increasing evidence of a slowing global economy.

Crude Oil Futures - Weekly

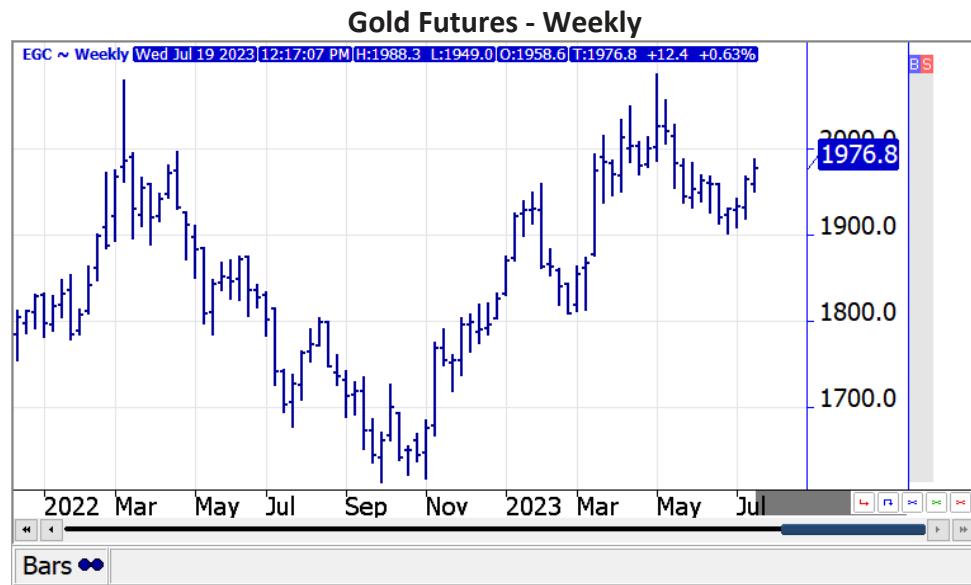


Gold

After an extended decline gold futures bottomed on June 29. This bottom took place when analysts started to roll back their predictions of two additional fed funds rate hikes from the Federal Open Committee. In addition, a sharp decline in the U.S. dollar index increased support for the yellow metal.

Traders are looking past the likely fed funds rate hike at the July 26 FOMC meeting and see this increase as possibly the last one in this rate hiking cycle.

Higher prices are likely for gold futures.



All Charts from QST

Support and Resistance

Grains

September 23 Corn

Support	5.80	Resistance	6.40
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September 23 Soybeans

Support	13.50	Resistance	14.50
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September 23 Chicago Wheat

Support	6.00	Resistance	6.50
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Livestock

August 23 Live Cattle

Support	168.00	Resistance	195.00
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August 23 Lean Hogs

Support	85.00	Resistance	105.00
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Stock Index

September 23 S&P 500

Support	4520.00	Resistance	4655.00
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September 23 NASDAQ

Support	15400.00	Resistance	16500.00
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Energy

September 23 Crude Oil

Support 72.50 Resistance 77.50

September 23 Natural Gas

Support 2.520 Resistance 2.750

Metals

August 23 Gold

Support 1950.0 Resistance 2015.0

September 23 Silver

Support 24.20 Resistance 26.25

September 23 Copper

Support 3.7000 Resistance 3.8600

Currencies

September 23 U.S. Dollar Index

Support 98.700 Resistance 100.800

September 23 Euro Currency

Support 1.11700 Resistance 1.13800

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

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