



## Monthly Commodity Futures Overview JUNE 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 **June 15, 2023**. This report is intended to be informative and does not guarantee price direction.*

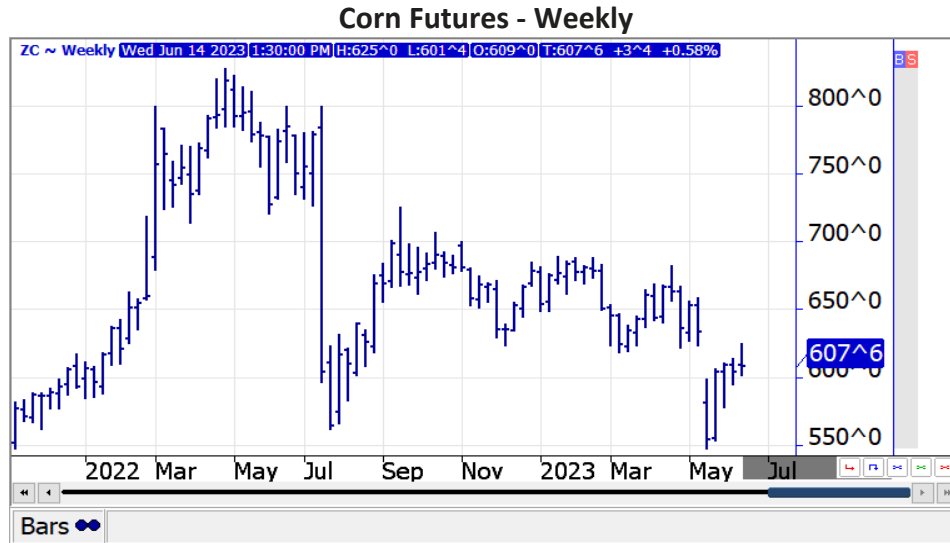
In June, the USDA raised the U.S. corn carryout 35 mil bu, the soybean carryout 15 mil bu and left the U.S. wheat carryout unchanged. For the 2023/24 U.S. and world supply and demand estimates, the USDA estimated U.S. carryout at 2,257 versus 2,222 last month. The USDA raised the world 2023/24 corn carryout to 314.0 mmt vs 312.0 last month. The Brazil crop was estimated to be 129.0 versus 132.0 this year and Argentina was 54.0 versus 35.0. China's corn imports were estimated to be 23.0 versus 18.0. The world corn trade is estimated to be 197.7 mmt versus 176.5 this year. The U.S. was estimated to be 53.3 or 27%.

The USDA estimated the U.S. 2023/24 soybean carryout at 350 versus 315 last month. The USDA raised the world 2023/24 soybean carryout to 123.3 mmt versus 122.5 last month. The USDA estimated the 2023 U.S. soybean crop at 122.7 mmt versus 116.3 this year. Brazil was estimated to be 163.0 versus 155.0 and Argentina was 48.0 versus 27.0. China's soybean imports were 100.0 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 world soybean trade is estimated to be 172.4 mmt versus 168.4 this year. Brazil is estimated to be 96.5 mmt or 56%.

The USDA raised the U.S. 2023 wheat crop 6 mil bu to 1,665 mil bu. The USDA increased the world 2023/24 wheat carryout to 270.7 mmt vs 264.3 last month. The USDA estimated the 2023 Russia crop at 85.0 versus 81.5 last month, Ukraine at 17.5 versus 16.5, the EU at 140.5 versus 139.0, Canada 37.0 and Australia at 29.0. The world wheat trade is estimated at 212.6 mmt versus 214.6 last year. The U.S. share is 19.7 mmt or only 9%.

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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 **June 13, 2023** and is intended to be informative and does not guarantee price direction.*

**Live Cattle**

Cattle prices rallied throughout 2023 but during May 2023 price gains accelerated. At the end of April 2023 year-to-date U.S. federal cattle slaughter was down 3.1%, and it dropped to 3.4% by the end of May 2023. Cattle weights and grade fell in May. On May 1 the average weight for steers was 1,455 pounds. On May 31 the average live steer weight dropped to 1,410 pounds. The grading percent also fell in May. The combined steer and heifer carcass grade during May went from 83.5% choice to select, down to 81.8% choice to select.

On May 1 June 2023 live cattle settled at \$164.87/cwt. There was a quick two-day downturn to \$161.20/cwt, and on May 3 buyers began another round of purchases. By May 31, June 2023 live cattle settled at \$169.12/cwt, trying to catch up with a stronger cash cattle market. Cash cattle during May traded at a premium to live cattle futures. Cash cattle prices were the best in the Midwest and a wide difference developed between cattle prices in the Southwest. Steer prices in Texas, Oklahoma and New Mexico at the start of May were \$171.00/cwt to \$172.00/cwt, and in Iowa and Minnesota steers sold from \$178.00/cwt to \$180.00/cwt. By month end, steers in the Southwest sold from \$173.50 to \$180.00/cwt, and Midwestern steers sold from \$186.00/cwt to \$188.00/cwt. For heavier and high grading cattle in the Midwest, packers were not hesitant to pay higher prices.

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## Live Cattle Futures - Weekly



## Lean Hogs

Lean hog prices during May 2023 continued the decline that began with the contract high closing price on December 30, 2022 at \$109.17/cwt. From the closing price in December 2022 to the contract low price, \$76.07/cwt on May 26, 2023, June 2023 lean hogs fell \$33.10/cwt. From May 1 to May 26, June 2023 lean hogs lost \$13.62/cwt and ended the month on May 31 down \$7.12/cwt.

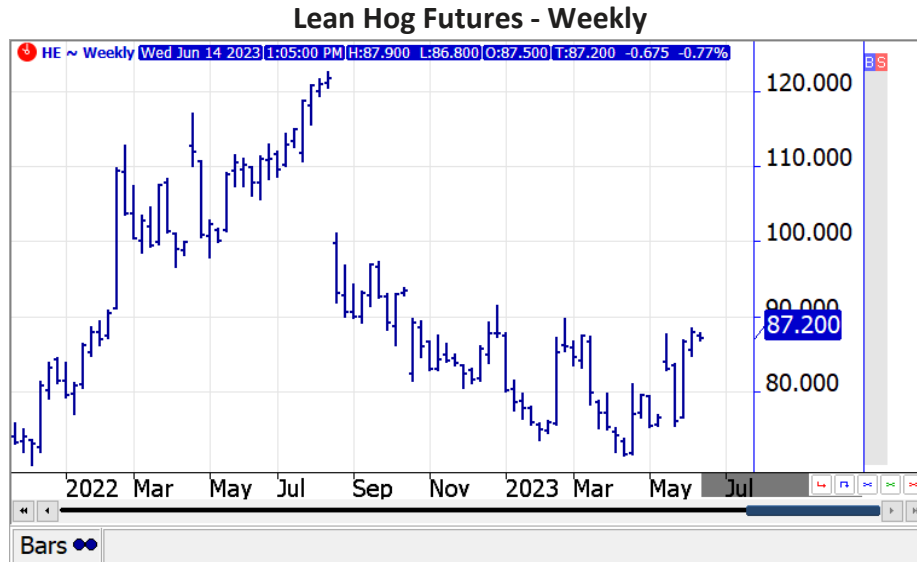
There was a big divergence between hogs and cattle in May and speculators took advantage of it. By May 2023, U.S. federal hog slaughter year-to-date was up 1.7% and cattle slaughter was down 3.4% with hog prices going down and cattle prices going up.

Livestock speculators have been active this year and very aggressive spread traders particularly buying live cattle and selling lean hogs. They began primarily buying February live cattle and selling February lean hogs, rolled and added to the April contracts and then rolled and added to June contracts. From January 3, 2023 speculative funds started the new year allocating trading capital and began buying cattle and selling hogs. On January 3, the June 2023 live cattle and June lean hog spread put June live cattle \$48.67/cwt over the price of June lean hogs. By March 14, the spread slowly moved to \$56.17/cwt. By mid-March 2023 large speculators rolled their April 2023 lean hog and live cattle contracts to June contracts adding to existing spreads.

On March 14, the June cattle/hog spread at \$56.17/cwt began to accelerate and moved the spread difference to \$79.45 on April 18. There was a small correction to May 2 to \$72.95 followed by a surge to May 26 at \$91.27/cwt gaining \$18.32/cwt in May 2023. The gain on the spread on June 2023 live cattle over June 2023 lean hogs from January 3 to May 26 was \$42.60/cwt. The spread difference at \$91.27 was an all-time historic spread. In 2015 the June live cattle/June lean hog spread at the widest was \$70.72/cwt.

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*Charts from QST*

## 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 **June 14, 2023** and is intended to be informative and does not guarantee price direction.*

### Stock Index Futures

S&P 500 and NASDAQ futures hit new highs for the year. The most recent push higher was inspired by the May U.S. consumer price index report, which showed a 0.1% increase when up 0.2% was expected and on a year-to-year basis the consumer price index was up 4.0% when a gain of 4.1% was anticipated. Recent strength was linked to the growing belief that the Federal Open Market Committee would pause its interest rate hiking cycle at the June 14 policy meeting. In addition, strength earlier in the month took place when a bill to raise the debt ceiling was passed.

Futures advanced despite some bearish news. The Logistics Manager's Index hit a record low for a third consecutive month of 47.3 in May 2023, which compared to 50.9 in April. The reading pointed to the first contraction in the logistic sector in almost 7 years of history.

Futures continue to overperform the news. Oddly enough, the higher prices go the more bearish the sentiment and commentary is, which is an indication of likely additional gains at least in the short term.

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## S&P 500 Futures - Weekly



## U.S. Dollar Index

The U.S. dollar index peaked in late May and trended lower in June. The reversal in prices was due to a change in rhetoric from Federal Reserve officials after comments from Fed Governor Philip Jefferson and Philadelphia Fed President Patrick Harker suggested the central bank will leave interest rates steady this month. There was additional pressure when the U.S. consumer price index report showed a smaller than expected increase.

There was temporary support for the greenback on news that nonfarm payrolls in May were up 339,000 when a gain of 190,000 was expected and private payrolls increased 283,000 when an increase of 165,000 was anticipated.

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

## Euro Currency

The euro currency trended lower in May as interest rate differential expectations tended to undermine the currency of the euro zone. However, the euro traded higher in June as comments from European Central Bank officials became more hawkish.

The euro advanced despite news that the zone economy unexpectedly shrank 0.1% on the quarter in the first three months of 2023, compared to early estimates of a 0.1% increase. Figures for the last quarter of 2022 were also revised to show a 0.1% decline, instead of an unchanged reading, which means the euro zone has now entered into a technical recession. German industrial orders unexpectedly declined 0.4% in April from the previous month on a seasonally and calendar adjusted basis when analysts expected a 3.0% increase.

Producer price inflation in the euro area declined to 1.0% year-on-year in April 2023, following a downward revision from the previous month's 5.5% and missing market expectations of 1.4%.

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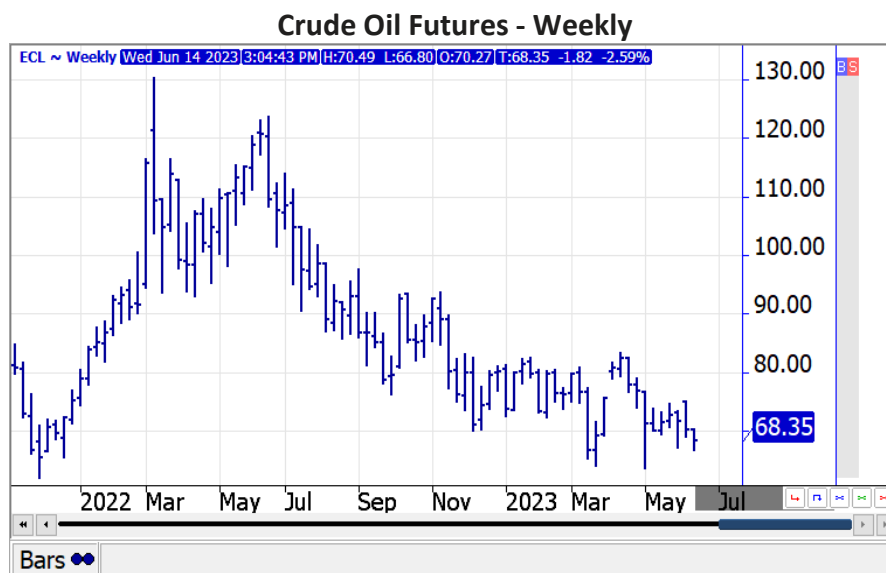
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Euro zone consumers lowered their inflation expectations, according to a European Central Bank survey. Median expectations for inflation over the next 12 months declined to 4.1% in April from 5.0% in March, while for three years ahead they fell to 2.5% from 2.9%.

## Crude Oil

Crude oil futures fell after the EIA reported an unexpected increase in U.S. crude stockpiles last week. U.S. crude oil inventories surged by 7.919 million barrels, which is the most in 17 weeks and compared with market expectations of a 0.51 million draw. In addition, gasoline and distillate stockpiles increased by more than predicted. The IEA said in its monthly report that global oil demand will increase by 6.0% between 2022 and 2028. Also, the U.S. Department of Energy is planning to buy 3 million barrels of U.S. produced crude oil for the Strategic Petroleum Reserve for an average price of approximately \$73 per barrel.

Futures are likely to trend lower in light of increasing prospects of a weakening global economy.

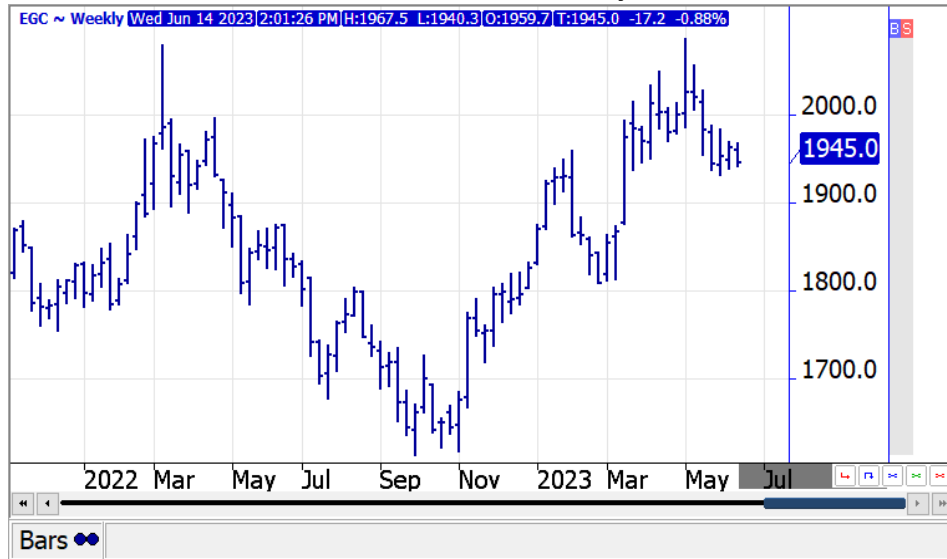


## Gold

Gold futures declined over \$150 an ounce from the peak hit in early May, mainly pressured by the growing belief that interest rates will stay higher for longer. Some of the selling was limited by the safe-haven component of gold in light of the debt ceiling impasse. Once the debt ceiling issue was resolved, some flight to quality longs were liquidated.

Futures are oversold and are likely to at least partially recover.

## Gold Futures - Weekly



All Charts from QST

## SUPPORT AND RESISTANCE

### Grains

#### July 23 Corn

Support 5.80 Resistance 6.40

#### July 23 Soybeans

Support 13.50 Resistance 14.50

#### July 23 Chicago Wheat

Support 6.00 Resistance 6.50

### Livestock

#### August 23 Live Cattle

Support 165.50 Resistance 178.10

#### August 23 Lean Hogs

Support 74.00 Resistance 94500

### Stock Index

#### September 23 S&P 500

Support 4280.00 Resistance 4560.00

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### **September 23 NASDAQ**

Support	14650.00	Resistance	16300.00
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### **Energy**

#### **August 23 Crude Oil**

Support	62.50	Resistance	74.70
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#### **August 23 Natural Gas**

Support	2.230	Resistance	2.750
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### **Metals**

#### **August 23 Gold**

Support	1930.0	Resistance	2010.0
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#### **September 23 Silver**

Support	23.60	Resistance	25.55
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#### **September 23 Copper**

Support	3.7000	Resistance	3.9600
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### **Currencies**

#### **September 23 U.S. Dollar Index**

Support	101.000	Resistance	104.100
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#### **September 23 Euro Currency**

Support	1.07800	Resistance	1.10800
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Any questions or comments on this special monthly outlook, send them to [sales@admis.com](mailto:sales@admis.com).

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