ADM Investor Services, Inc.

Monthly Commodity Futures Overview
October 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 ***October 19, 2022.*** *This report is intended to be informative and does not guarantee price direction.*

The USDA's October report was bullish for corn, soybeans and wheat. The USDA's new estimates of the U.S. 2022 soybean and corn crop yield and acres were below trade estimates. This suggested lower crops and carryouts. Commodity prices are also trying to adjust to talk of recession, a higher U.S. dollar and lower energy prices. China continues to be a major influence on soybean and soyoil prices.

The Ukraine export situation is also causing increasing volatility in corn and wheat prices. In October, the USDA lowered its U.S. 2022/23 corn carryout to 1,172 mil bu versus 1,219. This was due to a lower crop. The USDA's October U.S. corn yield was lowered to 171.9. The USDA raised feed use 50 mil bu but dropped ethanol 50 mil bu and exports 125 mil bu. The USDA lowered the EU corn crop to 56.2 mmt. EU corn imports were raised to 20.0. Ukraine 2022/23 corn exports were increased to 15.5 mmt. The USDA continues to estimate Brazil's 2023 corn crop at 126.0 mmt.

The shock in the USDA report was a lower than expected estimate of the U.S. 2022 soybean crop. The USDA dropped the crop another 65 mil bu to 4,313. They kept the September U.S. 2022/23 soybean carryout at 200 mil bu. The USDA raised the U.S. 2022/23 crush 10 mil bu but lowered exports 40 mil bu. The USDA raised Brazil's 2023 soybean crop to 152..0 mmt versus 127.0 this past year and Argentina at 51.0 mmt versus 44.0 mmt.

The USDA dropped the U.S. 2022/23 wheat carryout to 576 mil bu. They dropped the U.S. 2022 wheat crop from 1,783 mil bu to 1,650. The USDA also dropped U.S. exports to 775, which was the lowest in 50 years. The USDA estimated world 2022/23 end stocks to be near 267.5 mmt versus 276.0 last year. The Russian wheat crop was left at 91.0 and Ukraine at 20.5. Russian wheat export prices are lower than the U.S. The USDA kept Russia wheat exports at 42.0 mmt versus 33.0 last year. Some weather watchers are forecasting the end of La Nina in December. The U.S. south plains remains too dry. Eastern Australia is too wet.

Corn Futures - Weekly

Chart from QST

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

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Live Cattle

Live cattle trading in September was a repeat of how futures traded in August. Live cattle futures rallied at the beginning of the month, peaked going into the third week and fell to end the month similar to how live cattle traded in August. October 2022 live cattle, the lead month, on September 1 opened at $142.75/cwt, moved up to $146.77/cwt on September 20 and then dropped to $143.27/cwt to end the month for a gain of .52/cwt. Cash cattle markets traded independently of the futures markets. The highest cash cattle prices were at the beginning of the month and dropped by the second week to drift sideways to close out the month just slightly better. The average national steer price started out at $146.22/cwt, fell after Labor Day to average $143.37/cwt and finished out the month with a steer price average at $144.96/cwt.

September 2022 did have obvious differences where cattle were fed. The high temperatures of the summer greatly affected how cattle graded and gained weight. The Southwestern United States from June through mid-August had a record breaking week of high temperatures with many areas having no rain. Ponds, creeks and wells dried up. Many feedlots were forced to move cattle either by selling light cattle or if possible moving the cattle to states where there was available grass, feed and water. It was a matter of keeping cattle alive versus adding pounds. Because of months of stress by September, feedlots were selling cattle for slaughter that barely graded low select. In the Midwest and Northern states there were days of high temperatures but there were also more days when the weather was considered normal and cattle at slaughter graded choice and prime. But because of the extreme feeding conditions in the Southwest, the national average grade in the United States dropped and excess supplies of lower grade beef stalled the choice cash cattle market in September.

Live Cattle Futures - Weekly

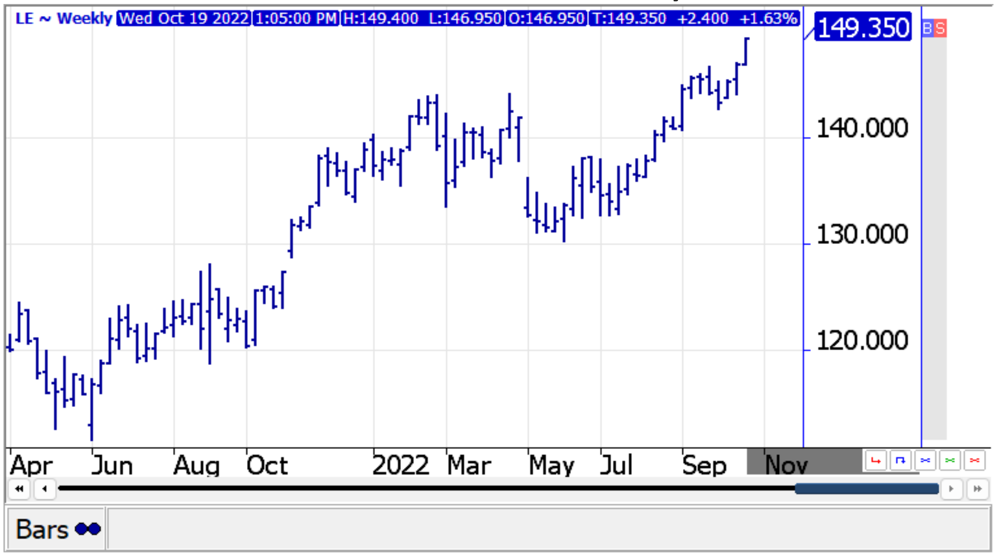

Chart from QST

Lean Hogs

The August trading pattern carried over into September. Lean hogs had a market top on August 11, the day before August 2022 lean hogs stopped trading. August 2022 lean hogs on August 12 settled at $122.72/cwt and October 2022 lean hogs settled the day at $100.02/cwt. The spread difference between August and October was already wide and for the remainder of August into the first week of September 2022, traders continued to sell lean hogs. From August 12 through September 8, October 2022 lean hogs dropped to a low of $89.12/cwt and settled the same day at $92.12/cwt.

The free falling lean hog market was even too much compared to cash prices and short contracts were liquidated on September 8. There is not a lean hog contract for September and speculators often move markets during times when trading is far from a spot market, but the cash market on September 8 was much higher, and traders realized there needs some movement closer for cash and futures. Plus, large speculators were rolling out of October 2022 lean hogs. The CME lean hog index on September 8 was $101.48/cwt, $9.35 higher than the October 2022 daily price close. From September 8 through September 20 , October 2022 lean hogs rebounded and moved to $97.45/cwt. On September 20, the CME lean hog Index was $97.96/cwt. From September 20 to September 30, October 2022 lean hogs dropped to settle at $89.22/cwt with the CME lean hog index at $94.33/cwt, a little wide but with time to converge during October 2022.

Lean Hog Futures - Weekly

Charts 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

Stock index futures quickly declined on news that the September consumer price index increased 0.4% when up 0.2% was expected. On an annualized basis the consumer price index was up 8.2% when a gain of 8.1% was anticipated.

Analysts were at a loss to explain the sharply higher close on October 13 despite the larger than expected increase in the consumer price index. The one-day reversal pattern to the upside that was made that day suggests the fundamentals may be improving.

Stock index futures were able to hold up relatively well even though Minneapolis Federal Reserve Bank President Neel Kashkari said the central bank might need to lift its policy rate above 4.75% if underlying inflation continues to accelerate.

S&P 500 Futures - Weekly

U.S. Dollar Index

The U.S. dollar index advanced to a 20-year high in mid-September as interest rate differential expectations drove the greenback higher. Most of the strength was linked to Federal Reserve officials indicating a readiness to take more aggressive steps to bring inflation under control as most inflation measures have come in hotter than expected. Of all the major central banks, the Federal Reserve is likely to remain the most hawkish, which suggests the greenback will remain firm.

Euro Currency

The euro currency declined to the lowest level in 20 years in early September, falling to below parity against the U.S. dollar. Pressure on the euro was linked to a growing disparity between the European Central Bank and Federal Reserve policies, economic and political concerns, which could make it more difficult for the European Central Bank to tighten monetary policy.

Most economic reports in the euro zone have come in weaker than predicted. The ZEW Indicator of Economic Sentiment for Germany declined for a third month to -61.9 in September of 2022 from -55.3 in August, hitting the lowest level since October of 2008, and was worse than market forecasts of -60.

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

Crude Oil

Crude oil prices bottomed in late September, falling to the 75.70 area before a rebound to the 92.30 level on October 10. Fears of a potential global recession driven demand downturn continued to hang over the market more recently. Investors remain worried about a deteriorating outlook for growth and demand due to intensifying macro headwinds, including high inflation and tighter financial conditions. Pressuring prices further were reports that the U.S. government would continue releasing crude oil from its reserves. However, putting a floor under the market are growing concerns about tighter global supplies as OPEC and its allies, including Russia, agreed to cut production further.

With the U.S. Treasury yield curve remaining inverted, which signals recession, it is likely that in this environment demand for industrial commodities will weaken and lower prices are likely for crude oil.

Crude Oil Futures - Weekly

Gold

Gold futures declined toward the lowest levels in three weeks and remain under pressure from expectations that the U.S. Federal Reserve will continue raising interest rates aggressively to control inflation. In the latest Fed commentary, Minneapolis Fed Bank President Neel Kashkari said the central bank may need to lift its policy rate above 4.75% if "underlying" inflation continues to accelerate. Gold also continued to underperform as a safe-haven asset despite persistent inflationary pressures and mounting risks of a global recession, as rising U.S. interest rates drove investors to seek shelter in the U.S. dollar.

On the bullish side are indications that central banks may be less hawkish than many analysts expect later this year, including the Federal Reserve, in response to slower global economic growth. A possibly less aggressive Federal Reserve could be the catalyst for a fourth quarter rally in the price of gold.

Gold Futures - Weekly

All charts above from QST

Support and Resistance

Grains

December 22 Corn

Support 6.50 Resistance 7.00

November 22 Soybeans

Support 13.00 Resistance 14.50

December 22 Chicago Wheat

Support 8.00 Resistance 9.50

Livestock

December 22 Live Cattle

Support 144.00 Resistance 152.50

December 22 Lean Hogs

Support 74.00 Resistance 90.00

Stock Index

December 22 S&P 500

Support	3590.00	Resistance	3840.00

December 22 NASDAQ

Support	10890.00	Resistance	11830.00

Energy

December 22 Crude Oil

Support	78.90	Resistance	88.50

December 22 Natural Gas

Support	5.100	Resistance	6.650

Metals

December 22 Gold

Support	1620.0	Resistance	1715.0

December 22 Silver

Support	18.20	Resistance	20.80

December 22 Copper

Support	3.3200	Resistance	3.7000

Currencies

December 22 U.S. Dollar Index

Support	109.200	Resistance	113.900

December 22 Euro Currency

Support	.96750	Resistance	1.00200

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