



THIS ISSUE

Near Term:

Bullish:	Corn Gold Canadian Dollar Japanese Yen
Bearish:	Soybeans

Other:

Shanghai Copper Stocks Early Sign of Improving Chinese Economy?

August 23, 2024

Economic Focus

Only one US rate cut baked into the cake?

With treasury and equity markets expecting two or three rate cuts this year, financial markets have already embraced a "very" dovish Fed in the remaining 2024 policy meetings. Certainly, the inflation trend has turned down with grain, energy, meat, and the dollar capable of deflating inflation ahead. Furthermore, the annual US Federal Reserve Jackson Hole symposium clearly telegraphed concerns about the magnitude of softening of the US jobs market. In fact, the US unemployment rate reached the highest level since October of 2021, ongoing claims have been at the upper end of the range since early February, and last month's nonfarm payroll readings posted the second lowest gain since January 2021. The odds of multiple rate cuts before the end of the year are improving with the next crossroads on the inflation coming next week, with

the quarterly PCE on August 29 and the month-over-month PCE release on August 30.

Metals

Despite frequent new all-time highs, the bull camp in gold looks to maintain an edge. While the hope for two or three rate cuts

has been embraced, a downtrend in the dollar looks to have added a fresh bullish fundamental influence. Fortunately for the bull camp, the net spec and fund long in gold remains well below the record of 426,732 contracts in February 2020 at the height of COVID uncertainty. Nonetheless, the upward trend will likely remain until the

Continued on Next Page...

MAJOR ECONOMIC EVENTS

August 26

- Durable Goods

August 27

- Case-Shiller Home Index
- Consumer Confidence

August 29

- Gross Domestic Product
- Goods Trade Balance
- Jobless Claims
- Wholesale Inventories
- Pending Home Sales

August 30

- Personal Income
- Chicago PMI
- Consumer Sentiment

OUR OPINION... MARKET BY MARKET

Market		*
Stocks	Bulls continue to march to the drum of multiple cuts.	L
Bonds	2 or 3 cuts this year; overdone, but hope is bullish.	L
Dollar	Multiple rate cuts with softer jobs equals more down.	S
Euro	Expensive with econ headwind, but winning by default.	L
Gold	The trend is up, but temporarily overbought.	S
Silver	Temporary corrective bias; buy a dip to \$29.03.	L
Copper	Overbought w/high LME stocks & soft Chinese data.	S
Crude	Falling \$, tight US stocks & M.E.; buy under \$71.00.	L
Gasoline	Falling \$, tech signs of a low & support from crude.	L
Nat Gas	Long term tightening stocks, but still oversupplied.	S
Soybeans	Improved exports, but crop tour results bearish.	S
Corn	Too soon for harvest low, but export potential rising.	N
Wheat	New contract lows, weakening short-term outlook.	N
Hogs	Improved technical picture, further upside possible.	L
L Cattle	Weak cash & technical outlook, more weakness.	S
Sugar	Brazil and India will have larger upcoming production.	S
Coffee	Threat of Brazil frost continues to provide support.	L
Cocoa	Ghana will continue to have production issues.	L
Cotton	Dry conditions in Delta fueling recovery move.	L

* For traders/commercials who need to be in a market, L = Long, S = Short, N = Neutral. These reflect our opinions for the next 7 days. They may contradict longer term viewpoints expressed elsewhere in this publication.



Next Week's Economic Focus

Continued from Previous Page

election passes and the December 18 FOMC meeting has concluded. Unfortunately for would-be bulls, the gold market has become significantly short-term overbought, potentially resulting in significant corrective setbacks. Therefore, we advise traders to restrict buying to corrections greater than \$70 or use option combinations.

Grains

We think grain prices have reached the vicinity of value and the period of highest supply, with North American crops showing significant resiliency in the face of adverse weather over the last decade. In fact, severe drought in last year's early season did not significantly hurt crops in the end as better conditions during key development stages brought in higher than expected production, resulting in a post-harvest drop in corn of \$0.60 and \$2.50 in soybeans. However, the USDA recently surprised the trade with lower ending stocks and there are production hitches in Russia, Ukraine, and Brazil this year. Furthermore, reports indicate corn planted areas in South America might be down 15% due to farmers moving to other crops, the leafhopper outbreak in Argentina, and narrowing profitability.

TOP 12 STATES OPERATING RIGS

The latest Baker Hughes Rig Count report said that there were 585 drilling rigs operating this week, which compare to 632 rigs operating during this week last year.

Courtesy of Baker Hughes, these are the 12 states with the largest number of operating drilling rigs this week:

Texas	274
New Mexico	106
Louisiana	39
Oklahoma	38
North Dakota	33
Pennsylvania	21
Wyoming	14
Colorado	14
Utah	12
Alaska	10
Ohio	9
California	8

TRADERS TOOLBOX

OVERVALUED/UNDERVALUED

Fundamental	Technical	COT
OVERVALUED		
British Pound	Gold	Coffee
Hogs	S&P	Silver
Bonds	British Pound	Cocoa
UNDERVALUED		
RBOB	Soybeans	Wheat
Dollar Index	Sugar	Corn
Corn	Corn	Soybean Oil

OPTIONS SCAN

Undervalued

Buy Dec Wheat 540/590 bull call @ 11

Buy Nov Crude Oil \$75.00/\$72.00 bear put @ 0.90

Buy Oct RBOB \$2.08/\$1.97 bear put @ 0.0350

Overvalued

Sell Dec Corn 380 put @ 14*

Sell Oct Crude Oil \$70.00 put @ 1.25*

Sell Dec Cattle 170.00 put @ 5.00*

Trend Reversals

Buy Oct Copper \$4.20/\$4.14 bear put @ 0.0150

Buy Sept British Pound 1.3250 put @ 0.0140

Buy Oct Sugar 18.00 call @ 0.50

Only use these strategies during periods of high liquidity.

* When selling options, only risk to double the premium received.

FLIGHT TO QUALITY HAS RETURNED!

The gold market has a "list" of bullish fundamental issues. Obviously, macroeconomic influences like a falling dollar and falling interest rates are the primary backbone of the pattern of new all-time highs. However, India is reducing its import duties to the lowest level in a decade and lowering its long-term capital gains tax on gold, which looks to revitalize Indian gold demand. According to the World Gold Council, developments in India will likely add 50 tonnes of gold demand in the second half of this year. Furthermore, Western gold ETF demand is surging, with total global gold ETF gold holdings reaching the highest levels since July 2023. While global central bank net buying has decreased from its peak of just under 100 tonnes per month, a plummeting US dollar is increasing the purchasing power of a long list of foreign central banks, funds, and foreign small investors.

With Flight to Quality buying interest in gold absent from early 1982 until the 2008 financial crisis, the gold market lost its standing as a hedge against inflation and uncertainty. However, the 2008 financial crisis revived gold's standing as a flight to quality instrument before losing it again in early 2016. Not surprisingly, a significant drop in

US interest rates starting in 2018 and historically low interest rates in the third month of the COVID-19 pandemic served to push gold above the \$2000 level for the first time. After chopping within a consolidation pattern for 28 months in the face of fear of severe global slowing, gold has returned to prominence, gaining over \$900 an ounce, and appears headed even higher. In fact, with global central bankers only recently shifting into stimulus mode, surging tensions in the Middle East, and the dollar possibly beginning a long-term downtrend, gold probably retains significant upside potential.

Suggested Trading Strategy

BUY a December Gold \$2,600 put and **SELL** a December Gold \$2,400 put at 18.00. Once filled on the put spread, place an order to **BUY** a December gold futures at the 50% retracement of the June through August rally at \$2,460. Use an objective of \$2,599 basis December futures. Risk the position to \$2,415 basis December futures.

Known Gold ETF Holdings Million Ounces



CROP TOUR CONFIRMS BUMPER SOYBEAN CROP

The Pro Farmer tour casts a bearish cloud over the soy complex to finish the week. Significantly higher pod counts in Indiana, Illinois, and Iowa seem to confirm a bumper bean harvest is just ahead. Illinois pod counts were the highest in 24 years, and Iowa was just under the 2010 record. The crop is certainly not in the bin, but if harvest weather is good, on-farm storage is likely to fill quickly as farmers only sell what they have to and store the rest for better prices. Common sense might tell you that prices must rise if farmers do not sell. However, in reality, farmer holding is not a long-term bullish strategy as every rally finds willing sellers, limiting prices to only minor bounces. Farmers risk being forced to sell at even lower prices due to financial considerations or their banker's advice if prices fall sharp enough and bearish anxiety rises high enough. Instead, farmers may consider selling their cash bushels at harvest and replacing them with call options on the board.

The demand for new crop beans is finally picking up, and the USDA has announced new flash sales every morning this week. This week's export sales will be released next Thursday morning and are expected to be very large. The recent drop in the US Dollar to its lowest since December 2023 has resulted in 'fire sale' prices for global buyers not seen since 2020.

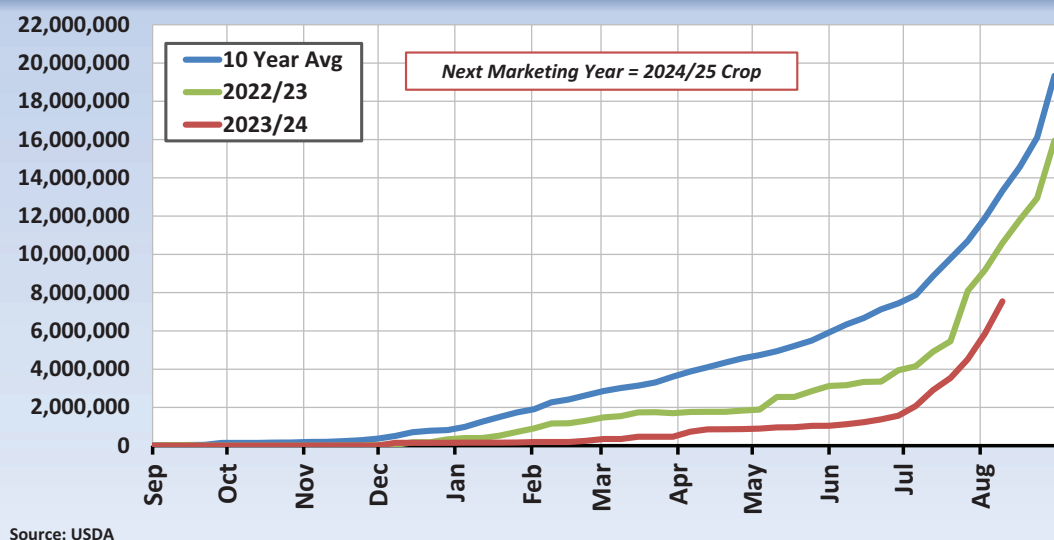
Unfortunately for the bulls, this does not mean prices have to rally. The US new crop export pace was so far behind that even with the recent better sales, the pace has yet to catch up to the average. It may be too early to expect an early harvest low. In addition, hedge pressure could be significant in the coming weeks if harvest weather is good. For now, the door is open for further weakness.

Option Trade Recommendation

Bear Put Spread: BUY 1 November Bean 970 put and SELL 1 November 910 put for a net cost difference of 20 cents or better. Risk 13 cents on the trade. Take profits on the entire position if November Beans touch 917.

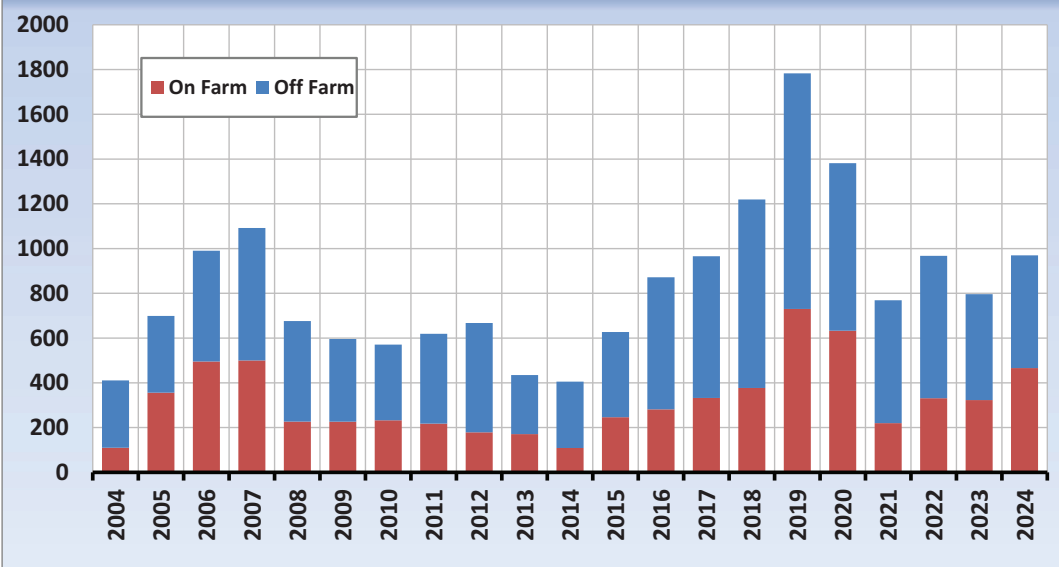
US Soybean Export Sales - Weekly

Outstanding Sales - Next Marketing Year - Metric Tonnes



Soybean Quarterly Grain Stocks - June 1st

Million Bushels

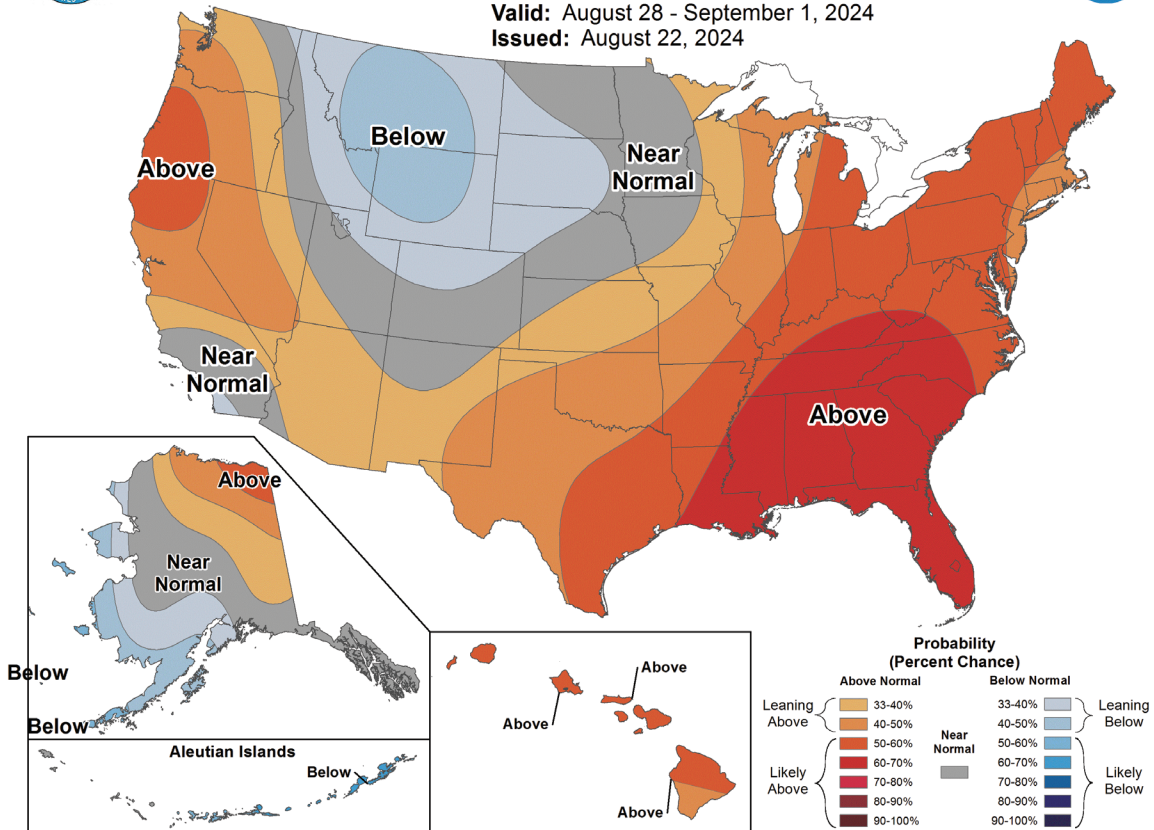




6-10 Day Temperature Outlook



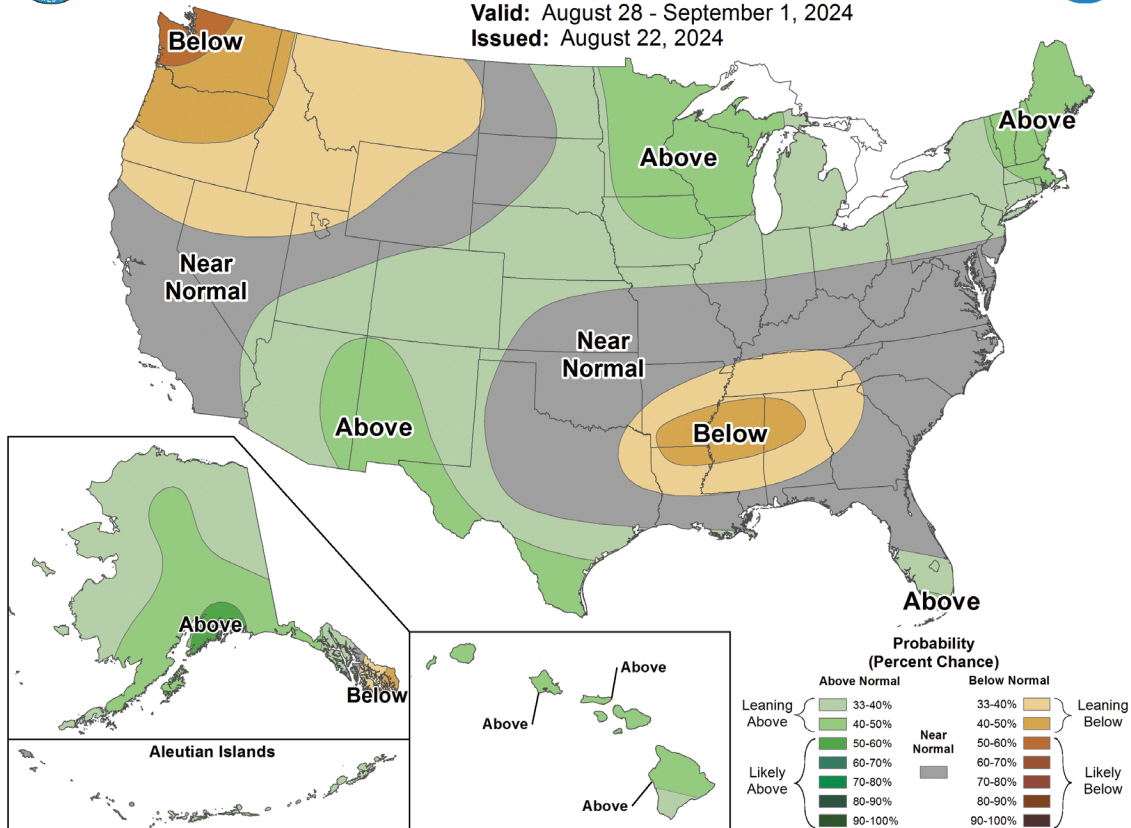
Valid: August 28 - September 1, 2024
Issued: August 22, 2024



6-10 Day Precipitation Outlook



Valid: August 28 - September 1, 2024
Issued: August 22, 2024



CAN CORN DEMAND INCREASE ENOUGH TO REDUCE CARRYOUT?

This week, December corn had a less than 10-cent trading range, indicating little trading enthusiasm despite the crop tour moving across the Midwest. While Minnesota and South Dakota corn yields were disappointing, they were very strong in the top-producing states of Illinois, Iowa, and Indiana, indicating USDA yield estimates are in the ballpark. Illinois and Iowa yields were their largest in the 32-year history of the crop tour. The crop must still be harvested, but the tour should squelch any doubts about record yields.

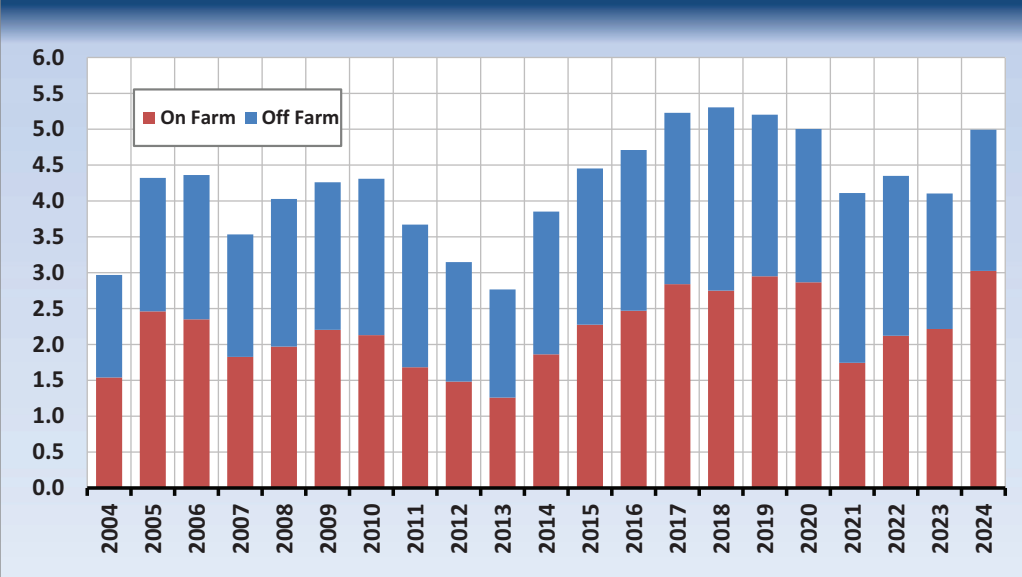
The US Dollar opened steady this week but plummeted to its lowest level since Christmas last year by the end of the week. The downswing is further boosting US export competitiveness at a time when the US was already cheaper than the rest of the world. This week's new crop corn export sales were at the top of pre-report guesses, and we expect next week's sales report to be as good, if not better. This week's crop tour put the focus squarely on the coming corn supplies and prices. Understandably, the market was unable to rally. Once peak supply ideas have been reached, the focus will begin to shift to rising demand, and support for prices will improve. Seasonal trends turn stronger in September and October; therefore, it may be a little early to expect a significant low.

Last week's contract low on December corn was 390, and long-term support sits in the 370-380 range. Traders will be watching for a high-volume reversal higher to indicate longs are finally throwing in the towel and a technical low has been made. Our best advice is to position using options/futures combo to take advantage of future upside demand possibilities while limiting risk if prices have one final break.

Suggested Trading Strategy

BUY 1 December Corn Futures at 392 or better. Once filled, **BUY** 1 October Corn 390 put at the market, which should be near 7 ½ cents with 28 days to expiration. Take profits on the entire position if December Futures hits 419. If futures prices fall first, take profits on the put if December futures moves below 375 and hold the long futures position for a rally to 419. Risk 14 cents on the entire position.

Corn Quarterly Grain Stocks - June 1st
Billion Bushels



US Dollar Index - Daily Nearby



CANADIAN DOLLAR AND JAPANESE YEN WILL BENEFIT FROM A DOVISH FED

Following several days of volatile market action, Fed Chair Powell lived up to the market's "hype" with his Jackson Hole Symposium speech on Friday. His comment that the Fed "will do everything they can to support a strong labor market" signaled that the FOMC will cut the Fed Funds rate next month, maybe by 50 basis points. Fed Chair Powell's comments sent the Dollar index sharply lower, reaching a new 2024 low on Friday.

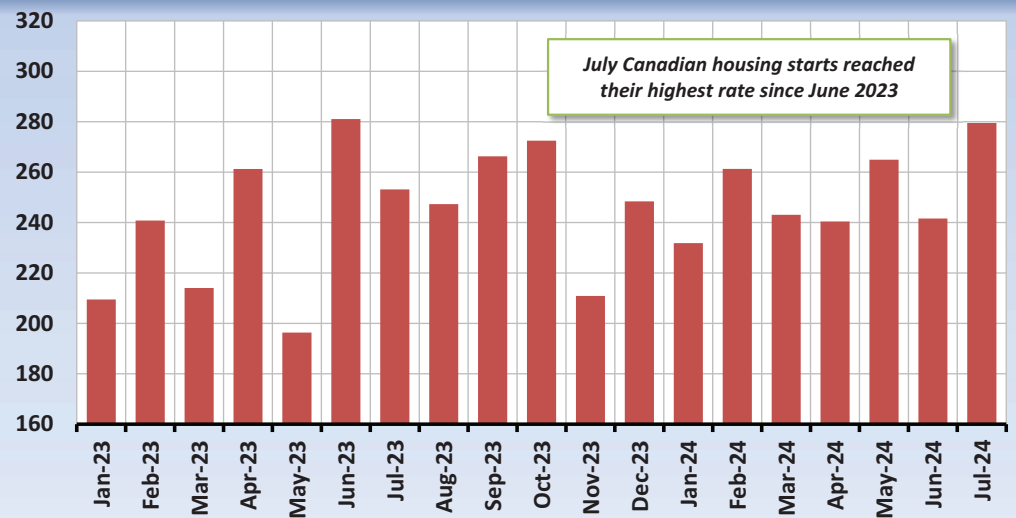
The Canadian dollar has been a significant beneficiary of the US dollar's decline, rallying from a three-and-a-half-year low to a four-and-a-half-month high in the past three weeks. The Bank of Canada is expected to cut benchmark Canadian rates at its early September policy meeting. Along with the US, Canada has experienced declining inflation and rising unemployment. However, a one-year high in Canadian housing starts in July may relieve concerns about their housing sector, strengthening the Canadian Dollar over the next few weeks.

In contrast to the Fed, the Bank of Japan hiked benchmark Japanese rates in July and has sent strong signals that it will continue to raise rates from "ultra-low" to "neutral" levels. The Japanese yen rallied to a 6 1/2-month high earlier this month after hitting a 38-year low in early July. It has come off that high but just above the middle of the 2024 range. With the Fed expected to cut rates at upcoming FOMC meetings, a still undervalued Japanese yen can regain upside momentum and rally for the rest of this year.

Suggested Trading Strategies

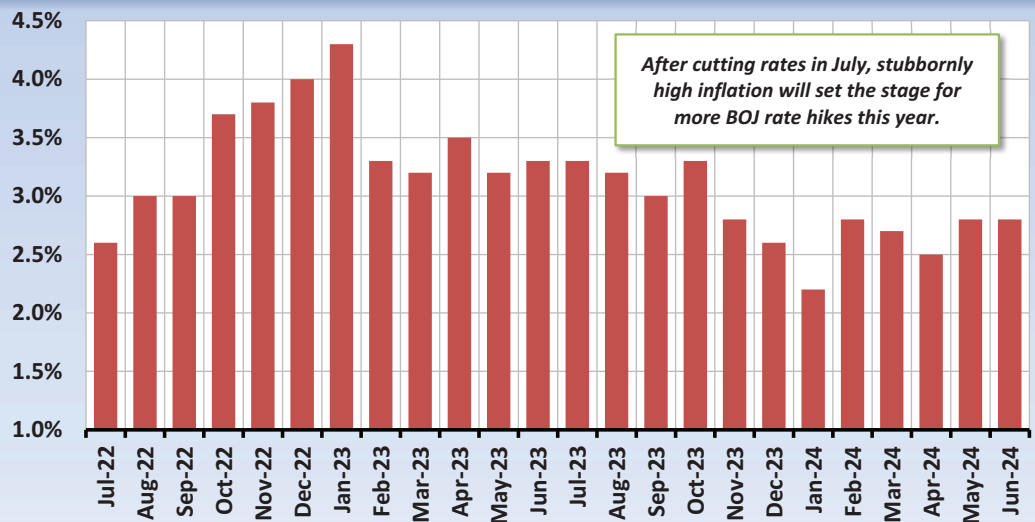
- 1) **BUY** a November Canadian Dollar 74.00/76.00 bull call spread at 0.44 or better. Use an objective of 1.70 and risk the entire spread premium on the strategy.
- 2) **BUY** a November Japanese Yen 70.50/72.50 bull call spread at 0.0048 or better. Use an objective of 0.0160 and risk the option spread to 0.0012.

Canadian Housing Starts Monthly SAAR/Thousand Units



Source: Canada Mortgage & Housing Corp.

Japanese National CPI Monthly Year-over-Year % Rate



Source: Statistics Bureau of Japan

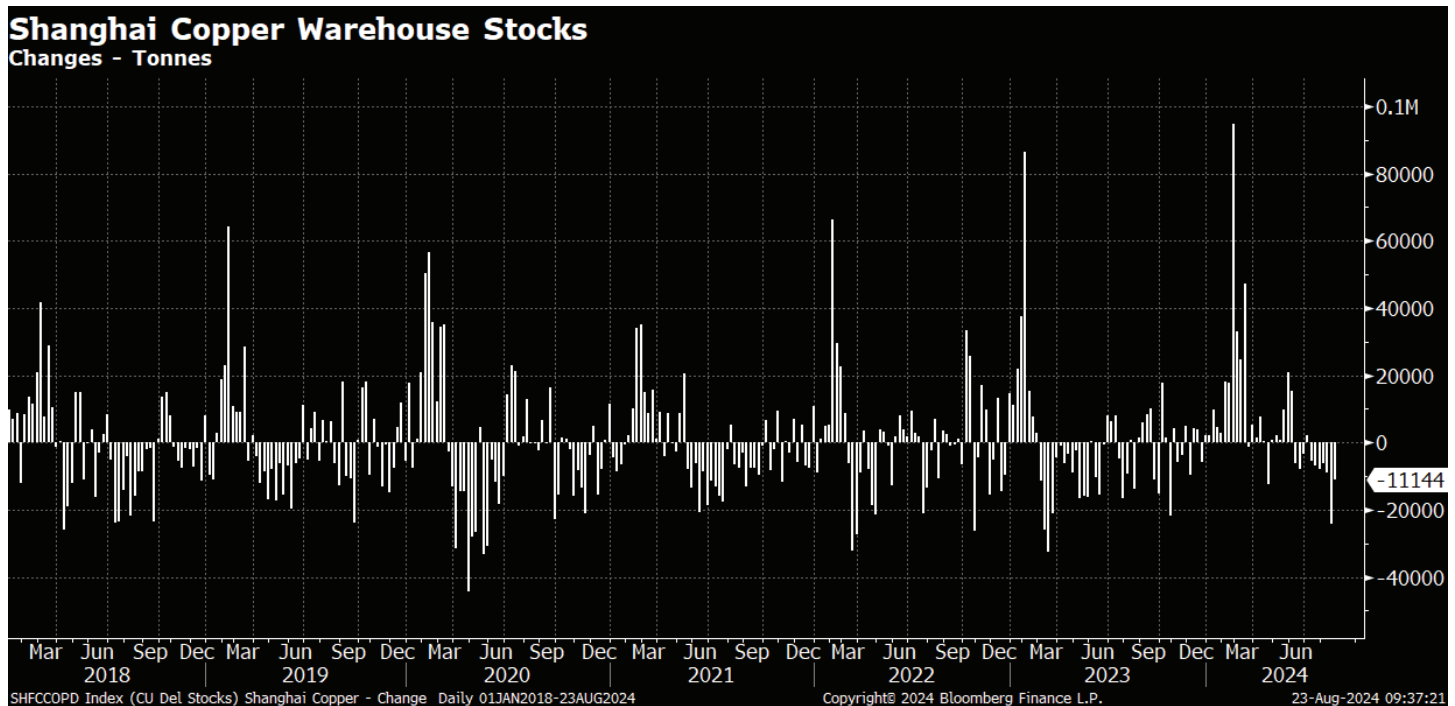
SHANGHAI COPPER STOCKS MAY SHOW AN IMPROVING CHINESE ECONOMY

Concern over China's economic strength has been a constant theme for many commodity markets over the past few years. Over the past few months, it has been a notable source of pressure on grain, oilseed, energy, cotton, and sugar markets. Copper demand has been a gauge of Chinese economic growth due to its use in manufacturing and construction. Chinese refined copper exports reached a record high of 158,000 tonnes in June, considered an additional gauge of sluggish domestic demand in China.

The latest reading for Shanghai exchange copper stocks showed a weekly decline of 11,162 tonnes, the seventh straight week in which copper stocks total has fallen and a tenth decline over the past eleven weeks. Shanghai exchange copper stocks are now at 251,044 tonnes. Although this is over 220,000 tonnes above their 2023 year-end total, this week's reading is their lowest total since early March.

Shanghai exchange copper stocks typically reach their lowest level in December and begin a sharp rise early in the year. Large warehouse stock builds happen around China's Lunar Year holiday. Warehouse stocks increased 94,803 tonnes after this year's holiday, the largest holiday stocks build on record. There were significant increases over the following three weeks (33,164, 24,740, and 47,168 tonnes) and ultimately peaked at 336,964 tonnes in early June, a three-year high.

Chinese refined copper exports fell to 70,000 tonnes in July as Shanghai exchange copper stocks continued to draw down. The last two weeks have seen stocks have their largest (24,099 tonnes) and third largest (11,162 tonnes) weekly declines of 2024 so far. If Shanghai Exchange copper stocks continue to draw down, it may be an early sign that the Chinese economy is starting to regain strength.



Long Term Trades

UPDATES TO PRIOR LONGER-TERM TRADE STRATEGIES

Original Trade Date	Trade	Action
Cocoa 7/3/24	Long a November Cocoa 6,500/5,800 bear put spread at 242.	HIT PROTECTIVE STOP at 96 for a loss of 146 on the strategy.
Gold 7/19/24	Long an October Gold \$2,460/\$2,600 bull call spread at 18.90.	Use an objective of 91.00 and risk the trade to 15.00.
Gold 8/2/24	Long a December Gold \$2,640/\$2,770 bull call spread at 16.00.	Use an initial objective on the short call of 9.00. Use an initial objective on the spread of 90.00. The initial risk for the bull call spread is 7.00.
Wheat 8/16/24	BOUGHT 1 December Chicago Wheat at 547. SOLD 1 December Chicago Wheat 590 call at 17 cents that was BOUGHT BACK at 10 3/4 cents.	Use an objective of 573, and risk the trade to 527.

Trade recommendations are only suggestions. This is not to be construed as a trading system or tracking account. No representation is being made that any account will or is likely to achieve profits or losses to those shown. By reading or following this report, you acknowledge and accept that all trading decisions are your own sole responsibility, and The Hightower Report or anybody associated with The Hightower Report cannot be held responsible for any losses that are incurred as a result. Trade fills are hypothetical. Traders may not be able to enter or exit the trades exactly at the prices indicated due to liquidity or market slippage.





Lakefront Futures and Options, LLC is registered with the National Futures Association (NFA) as an introducing broker. Any recommendations, signals, or comments made in this communication do not take into account any particular individual's or company's objectives or needs, which should be considered before engaging in any commodity transactions based on content herein. The sources for the information in this communication are believed to be reliable. Past performance is not indicative of future results. Lakefront Futures and Options, LLC, or their affiliates may hold or take positions for their own accounts that are different from the positions recommended in this communication. Any material found in this communication is subject to change without notice. Trading derivatives is very risky and is not suitable for everyone.

COMMITMENTS OF TRADERS

Data As of August 20, 2024
Non-Commercial & Non-Reportable
Combined Futures & Options

Market	Net Position	Net Change	4-Wk Net Change	52-Wk Ranking
Grains				
CBOT Grains	-480,323	-6,919	43,021	12
Corn	-236,865	-11,698	29,943	16
KC Wheat	-31,659	-4,360	1,075	19
Minn Wheat	-25,478	1,334	163	24
Rice	-111	-360	-53	2
Soybeans	-205,291	-8,615	-6,075	3
Soyoil	-49,202	8,182	-9,741	10
Soymeal	26,282	7,710	-24,864	17
Wheat	-38,167	13,394	19,153	44
Livestock				
Cattle	43,662	-3,075	-25,560	10
Feeder Cattle	-10,071	-865	-2,967	1
Hogs	10,792	2,641	-1,191	20
Metals				
Copper	26,139	2,789	-7,560	31
Gold	324,507	23,558	45,611	52
Platinum	19,809	3,075	-556	33
Silver	67,024	6,256	1,965	36
Softs				
Cocoa	27,408	756	-1,722	14
Coffee	67,702	5,937	3,355	39
Cotton	-39,293	-2,570	-6,176	1
Milk	447	2,178	1,827	52
OJ	4,693	263	4	41
Sugar	-14,312	-25,182	-30,471	6
Currencies				
Canadian	-167,480	13,647	35,875	5
Dollar	16,372	-745	-1,833	31
Euro	112,662	40,997	65,598	34
Energies				
Crude Oil	275,756	489	-25,709	21
Gas (RBOB)	15,605	578	-9,752	3
Heating Oil	7,229	-6,209	-11,470	1
Natural Gas	-66,781	-2,622	878	40
Financials				
Bonds	85,883	1,972	37,457	52
E-Mini S&P	-31,035	-37,931	-129,296	29
Dow Jones \$5	7,607	3,814	-9,268	24
T-Notes	-726,965	-136,642	-135,442	4
	Extreme			Ranking 1 = Shortest Short
	5% of Extreme			52 = Longest Long