



September 13, 2024

## THIS ISSUE

### Near Term:

Bullish:	Corn Wheat S&P 500
Bearish:	Soybeans Cocoa

### Other:

Rising Gold ETF Holdings

## MAJOR ECONOMIC EVENTS

### September 16

- NY Fed Empire State Survey

### September 17

- German ZEW Survey  
- Retail Sales  
- Canadian CPI  
- Industrial Production  
- NAHB Housing Index  
- Business Inventories

### September 18

- Euro Zone/UK CPIs  
- Housing Starts  
- FOMC Meeting Results  
- Treasury International Capital

### September 19

- BOE Meeting  
- Philly Fed Survey  
- Jobless Claims  
- Existing Home Sales  
- Leading Indicators

## Economic Focus

### Rate Cut Medicine for the Economy is not Enough for Commodities!

While many global central banks are leaning toward lowering rates off signs of moderating inflation, the focus of the markets is already shifting to economic prospects for the rest of this year. Unfortunately for physical commodity bulls, supply continues to plague many markets, with threats against supply few and far between and demand expectations reserved. In the grain markets, the approach of the “period of highest supply” (incoming northern hemisphere supply combined with the beginning of southern hemisphere planting) should leave the bear camp confident of a return to the late August lows. While corn has the least burdensome supply and demand setup, the rest of the agricultural markets will likely see bearish sentiment dominate over the coming two months. However, the corn market saw production glitches in Russia, Ukraine, Europe, and portions of South America last year, and there is potential for reduced production in Argentina in the upcoming crop. Therefore, a return to the 2024 lows in corn could bring about a key bottom in terms of “price” but may not present a key bottom in terms of “timing.”

Certainly, global easing provides hope for a recovery in economic activity, but it typically leads the recovery by several quarters. Fortunately for the physical commodity bulls, the trend in the dollar appears to have shifted lower, which could help stimulate US exports, particularly to China, with their suspect economy. However, the Chinese government has applied significant stimulus, with the central government instructing local governments to take on substantial debt to finance “large” job-creating

infrastructure projects. Furthermore, Chinese exports remain relatively positive, and the dollar and cheap food and energy prices could help the Chinese economy regain its footing. A possible early sign China economic recovery is emerging from a favorite long-term leading economic indicator of tightening, Shanghai copper stocks. Shanghai copper stocks have posted 13 weekly declines out of the last 14, with 10 straight draws and the two largest weekly draws in 18 months!

Shanghai Copper Exchange Stocks  
Deliverable - Tonnes



## OVERVALUED/UNDERVALUED

Fundamental	Technical	COT
<b>OVERVALUED</b>		
Copper	Japanese Yen	Coffee
Cotton	Notes	Silver
Coffee	Platinum	Soybean Meal
<b>UNDERVALUED</b>		
Euro	Swiss Franc	Canola
Equities	British Pound	RBOB
Sugar	Canadian Dollar	Minn Wheat

## OUR OPINION... MARKET BY MARKET

Market		*
<b>Stocks</b>	Falling rate environment = equities win by default.	L
<b>Bonds</b>	Inflation laying down, US slowing; the bias is up.	L
<b>Dollar</b>	A return to the lows going into the FOMC meeting.	S
<b>Euro</b>	Doubt on future rate cuts = return to the 2024 highs.	L
<b>Gold</b>	The trend is up with rates & \$, falling political angst.	L
<b>Silver</b>	Upside breakout in total ETF holdings/gold lift bullish.	L
<b>Copper</b>	China stocks 10 straight weeks with a decline.	L
<b>Crude</b>	Significant resistance at the \$70.00 level.	S
<b>Gasoline</b>	Softer seasonal demand, but spec long is very low.	S
<b>Nat Gas</b>	Slow narrowing of surplus, no bottom yet; sell rallies.	S
<b>Soybeans</b>	Harvest pressure, large ending stocks = pullback.	S
<b>Corn</b>	Chart positive, but harvest limits gains nearby	N
<b>Wheat</b>	Uptrend accelerates, a bottom is likely in.	L
<b>Hogs</b>	Trading volume weak, test of support likely.	S
<b>L Cattle</b>	Dec breakout over 179.50 would be bullish.	N
<b>Sugar</b>	India monsoon rainfall 8% above long-period average.	S
<b>Coffee</b>	Typhoon over Vietnam growing areas will support.	L
<b>Cocoa</b>	23/24 global grindings will decline 6% from 22/23.	S
<b>Cotton</b>	US looking at a 20% production increase this year.	S

\* 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.

## OPTIONS SCAN

### Undervalued

**Buy Oct Dollar Index 100.00 put @ 0.120**

**Buy Oct Euro 1.1150 call @ 0.0040**

**Buy Jan Sugar 19.50 put @ 0.95**

### Overvalued

**Sell Dec Cattle 181.00 call @ 4.10\***

**Sell Dec Coffee 300.00 call @ 7.00\***

**Sell Nov Soybean 1050 call @ 16\***

### Trend Reversals

**Buy Nov Crude Oil \$66.00 put @ 1.20**

**Buy Dec Copper \$4.14/\$4.10 bear put @ 0.0200**

**Buy Jan Bean Oil 39.50/44.00 bull call @ 1.20**

Only use these strategies during periods of high liquidity.

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

# TRADERS TOOLBOX

## UPDATES TO PRIOR LONGER-TERM TRADE STRATEGIES

Original Trade Date	Trade	Action
Gold 7/19/24	Long an October Gold \$2,460/\$2,600 bull call spread at 18.90.	<b>HIT PROFIT STOP at 49.60 for a profit of 30.70 on the strategy.</b>
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.

*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.*

# S&P 500 LOOKS TO EXTEND ITS RECOVERY

While the equity markets have already staged an impressive recovery from the aggressive early September washout, the current environment should allow for an extension of the recovery! Typically, a “falling rate environment” provides a solid foundation for capital to flow into equities, with the surfacing from both presidential campaigns of offering tax cuts without offsetting spending cuts being of added benefit to the bull camp. Therefore, equities are likely to win by default, especially with returns on interest investments adjusted for inflation extremely unattractive.

The technical condition of the equity markets also favors the bull camp, with net spec and fund positioning almost level, suggesting the market retains significant speculative buying fuel. It should also be noted that trading volume jumped significantly on the September 6th and 11th spike lows, potentially signaling a return to a “buying breaks” environment.

From a wave perspective, the S&P has corrected the extreme overbought condition from the AI euphoria/speculative bubble with significant liquidation waves. According to classic wave theory,

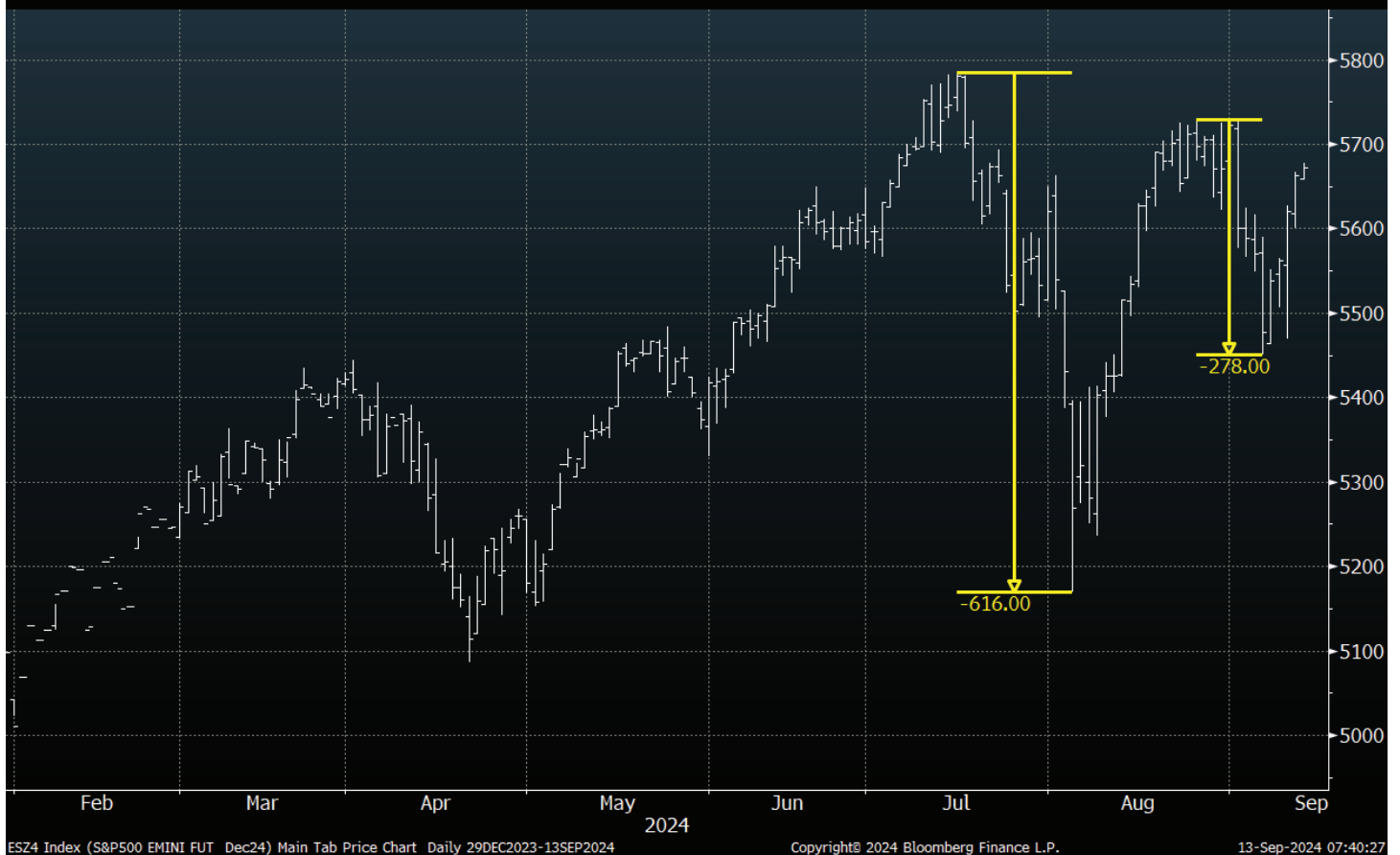
the bull camp has regained control with the September correction smaller than the July/August correction, which should mean the next correction will be narrower than the September setback. Uptrend channel buying support in the December S&P into the upcoming US interest rate decision is roughly 5509, with stochastics and short-term moving average analysis shifting into buy mode.

Even though the AI investment buzz remains relatively benign, a recovery in Nvidia shares combined with a broadening of the global easing view should result in a return to 2020 highs. However, the bull camp in equities will need a “Goldilocks” economic environment of further signs of declining inflation without data sparking concerns of too much slowing.

## Suggested Trading Strategy

**BUY** December Mini S&P 6000/6800 bull call spread at 28.00 with an objective of 56.00. Risk the trade to a spread price of 16.00.

## E-Mini S&P 500 - December 2024



# SOYBEANS: USDA SAYS NO YIELD DECLINE FROM DRY FINISH

This past week, the soybean complex was mixed with weakness early in the week after November prices touched the 50-day moving average resistance on September 6. The September USDA supply/demand report did not offer much direction for traders as yields came in steady with the prior month and ending stocks were slightly under the guesses. However, new crop ending stocks are the 2nd highest since 2006. Also, US production, global supplies, and US yield estimates are at new all-time highs. With dual supply issues of oncoming US harvest and South American planting, prices will have to deal with significant bearish headwinds over the next several weeks. Dryness in Brazil has delayed early soybean planting. However, there is plenty of time for planting if monsoon rains arrive as scheduled in October. The timing of the monsoon rains will become a significant market issue in October as Mato Grosso and Paraná, representing 40% of Brazil's total bean production, are seeing their lowest soil moisture in 30 years.

Between now and the September 30 Quarterly Grain Stocks report, the focus will be squarely on US harvest and hedge pressure will be

significant on rallies. A South American supply threat this winter or a strong rebound in Chinese bean demand could change the bearish long-term outlook.

However, in the short term, prices may be vulnerable to a move back down to test the August lows on November beans. If November bean support at 995 1/2 fails to hold, prices will likely fall to test the August lows at 955. We prefer to position on the short side for a test of the lows during harvest.

## Option Trade Recommendation

**Bear Put Spread:** BUY 3 October Soybean Week 1 1000 puts and SELL 3 October Soybean Week 1 960 puts for a cost of 10 cents or better per spread, or a total outlay of 30 cents for the 3. These puts expire on October 4th, after the USDA Quarterly Grain Stocks report. Take profits on the entire position if November Futures touches 961. Risk the entire 10 cent premium on each put spread.

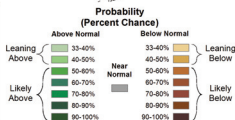
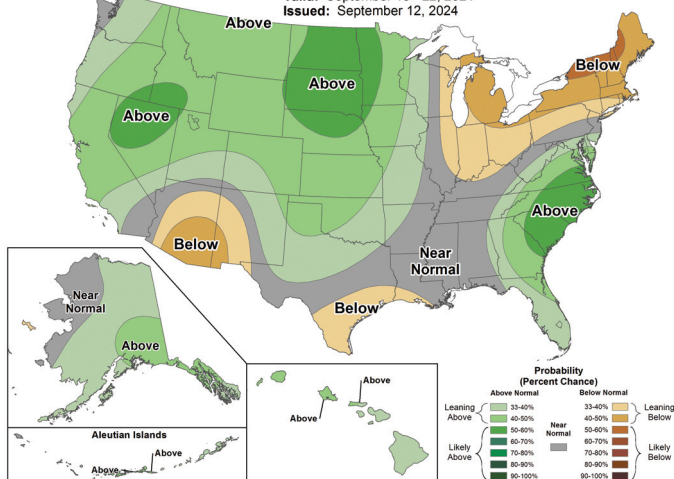
USDA SUPPLY/DEMAND					Sep	Aug	Sep
US SOYBEANS					USDA	USDA	USDA
	18-19	19-20	20-21	21-22	22-23	24-25	24-25
Planted Area (M Acres)	89.2	76.1	83.4	87.2	87.5	87.1	87.1
Harvested Area (Acres)	87.6	74.9	82.6	86.3	86.2	86.3	86.3
Yield (Bu/Acre)	50.6	47.4	51.0	51.7	49.6	53.2	53.2
Beginning Stocks (M Bu)	438	909	525	257	274	345	340
Production	4,428	3,552	4,216	4,464	4,270	4,589	4,586
Imports	14	15	20	16	25	15	15
Supply, Total	4,880	4,476	4,761	4,737	4,569	4,949	4,941
Crushings	2,092	2,165	2,141	2,204	2,212	2,425	2,425
Exports	1,753	1,683	2,266	2,152	1,980	1,850	1,850
Seed	88	97	101	102	75	78	78
Residual	39	11	-4	5	39	36	38
Use, Total	3,971	3,952	4,504	4,463	4,305	4,389	4,391
Ending Stocks	909	525	257	274	264	560	550
Stocks/Use Ratio	22.9%	13.3%	5.7%	6.1%	6.1%	12.8%	12.5%





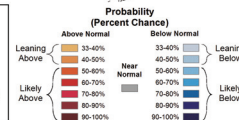
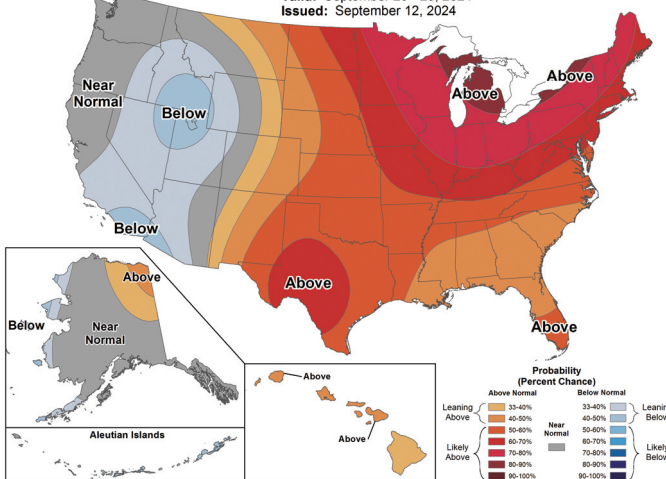
### 6-10 Day Precipitation Outlook

Valid: September 18 - 22, 2024  
Issued: September 12, 2024



### 8-14 Day Temperature Outlook

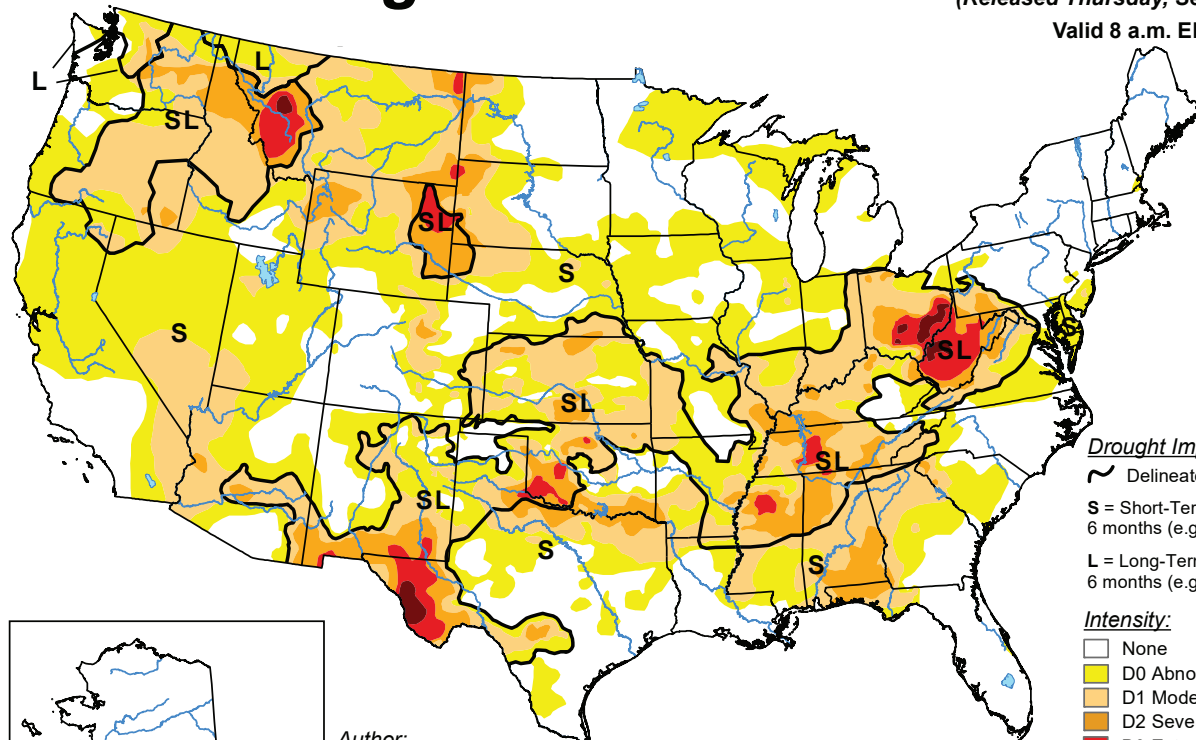
Valid: September 20 - 26, 2024  
Issued: September 12, 2024



# U.S. Drought Monitor

## September 10, 2024 (Released Thursday, Sep. 12, 2024)

Valid 8 a.m. EDT



#### Drought Impact Types:

- ~ Delineates dominant impacts
- S = Short-Term, typically less than 6 months (e.g. agriculture, grasslands)
- L = Long-Term, typically greater than 6 months (e.g. hydrology, ecology)

#### Intensity:

- None
- D0 Abnormally Dry
- D1 Moderate Drought
- D2 Severe Drought
- D3 Extreme Drought
- D4 Exceptional Drought

**Author:**  
Lindsay Johnson  
National Drought Mitigation Center

The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. For more information on the Drought Monitor, go to <https://droughtmonitor.unl.edu/About.aspx>



[droughtmonitor.unl.edu](https://droughtmonitor.unl.edu)

# FEEDGRAINS: CORN AND WHEAT OUTLOOK LESS BEARISH THAN SOYBEANS

**Corn:** A surprisingly bearish yield from USDA this week was offset by an improved technical outlook and an increase in old crop demand, which lowered ending stocks for both old and new crop corn from the August report. USDA field analysis indicates that the growing season's dry finish did not trim yields. It remains to be seen if kernel size and test weights will hold up as harvest moves ahead over the next month. The US stocks-to-use ratio is the highest since 2019.

With the US Dollar trend pointing lower and Fed rate cuts on the table before the end of the year, commodity pressure may begin to fade over the next few months. However, in the meantime, traders will have to deal with a record US harvest, which could push prices down for one final break if a speedy harvest condenses hedge pressure into a shorter timeframe than usual. Lower production is expected in the EU, Ukraine, and Russia. South American plantings are expected to be lower in Argentina due to rotation away from last season's leafhopper problem and near steady in Brazil as low prices discourage planted area expansion. La Niña conditions, expected this fall, tend to coincide with lower Brazilian production.

The weekly chart reversal in late August should hold any break, and once harvest hedge pressure is over, it could provide a technical catalyst for funds to build a long position if US Dollar weakness encourages stronger demand. The bottom line for corn is that rallies will likely be limited until the bulk of the harvest is over, but signs point to a postharvest demand-led rally.

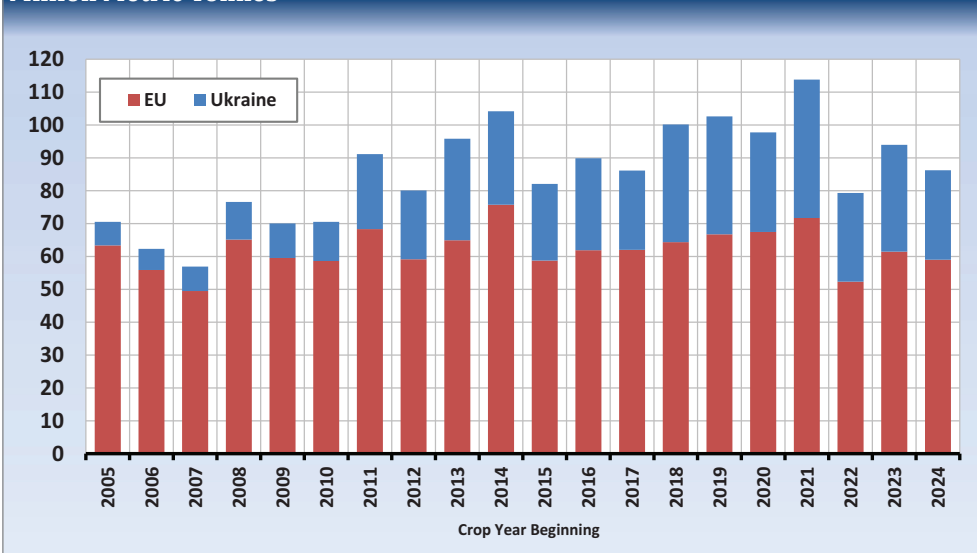
## Suggested Trading Strategy

**BUY** 1 December Corn Futures on a pullback to 411. Once filled, **BUY** 2 October Corn Week 1 405 puts at the market, which should be around 5 cents or lower each. These puts expire on October 4, after the Quarterly Grain Stocks report on September 30. If December Corn Futures break below 390, take profits on the puts and hold the long Futures for an eventual objective of 434. Risk 16 cents on the entire position.

USDA SUPPLY/DEMAND US CORN					Sep	Aug	Sep
	18-19	19-20	20-21	21-22	USDA 22-23	USDA 24-25	USDA 24-25
Planted Area (M Acres)	88.9	89.7	90.7	92.9	88.2	90.7	90.7
Harvested Area (Acres)	81.2	81.0	82.2	85.0	78.7	82.7	82.7
Yield (Bu/Acre)	176.4	167.5	171.4	176.7	173.4	183.1	183.6
Beginning Stocks (M Bu)	2,140	2,237	2,004	1,235	1,377	1,867	1,812
Production	14,322	13,568	14,087	15,018	13,651	15,147	15,186
Imports	28	42	24	24	39	25	25
Supply, Total	16,490	15,847	16,115	16,277	15,066	17,038	17,022
Feed & Residual	5,392	5,778	5,667	5,671	5,486	5,825	5,825
Food, Seed & Industry	6,792	6,286	6,466	6,757	6,558	6,840	6,840
Ethanol for Fuel	5,378	4,857	5,028	5,320	5,176	5,450	5,450
Domestic Total	12,185	12,064	12,134	12,427	12,044	12,665	12,665
Total Exports	2,068	1,778	2,747	2,472	1,662	2,300	2,300
Use, Total	14,253	13,843	14,881	14,900	13,706	14,965	14,965
Ending Stocks	2,237	2,004	1,235	1,377	1,360	2,073	2,057
Stocks/Use Ratio	15.7%	14.5%	8.3%	9.2%	9.9%	13.9%	13.7%

## Corn Production: EU + Ukraine

Million Metric Tonnes



Continued on Next Page...

# FEEDGRAINS: CORN AND WHEAT OUTLOOK LESS BEARISH THAN SOYBEANS

*Continued from Previous Page*

**Wheat:** Wheat prices were the star of the grain complex this past week, with Chicago December extending their gains from the reversal lows on August 27. Prices have rallied nearly \$0.80 over the last 3 weeks. An increase in worries over crop production in western Russia and eastern Ukraine, both significant winter wheat producing areas, are rising as dry conditions continue. The US futures rally has been impressive as Russian prices have been stagnant.

Shipping risks in the Black Sea moved back to the forefront as Russia struck an Egyptian-owned ship carrying Ukraine wheat to Egypt. For the past several years, Egypt has turned to Russia as a main supplier, and Putin may have wanted to send a message to those trying to take a portion of that export business. Furthermore, domestic wheat prices in India have been inordinately strong all year, but the government has avoided calling for wheat imports. However, India has been limiting the amount of wheat stocks commercials and producers can hold and reduced that limit this week from 3000 tonnes down to 2000 tonnes trying to limit further price gains.

The technical outlook for Chicago December looks strong as a head and shoulders bottom formation is now in place and confirmed with a close over the neckline at the end of the week. This points to a technical objective for the upside breakout

at 640 on December Chicago. The recent open interest decline on the rally clearly shows Managed Money has dramatically reduced their net short position, and open interest is at its lowest since December 2023. We prefer to position long on a pullback.

## Suggested Trading Strategy

**BUY** December Chicago Wheat futures on a pullback to 575. Risk 0.16 from entry. Use an objective of 636.

USDA SUPPLY/DEMAND US WHEAT					Sep	Aug	Sep
	18-19	19-20	20-21	21-22	USDA 22-23	USDA 24-25	USDA 24-25
Planted Area (M Acres)	47.8	45.5	44.5	46.7	45.8	46.3	46.3
Harvested Area (Acres)	39.6	37.4	36.6	37.1	35.5	37.9	37.9
Yield (Bu/Acre)	47.6	51.7	49.7	44.3	46.5	52.2	52.2
Beginning Stocks (M Bu)	1,099	1,080	1,028	845	674	702	702
Production	1,885	1,932	1,820	1,646	1,650	1,982	1,982
Imports	135	104	100	96	122	105	105
Supply, Total	3,119	3,116	2,948	2,588	2,446	2,789	2,789
Food	954	962	961	971	972	964	964
Seed	59	62	64	58	68	62	62
Feed & Residual	88	95	85	88	74	110	110
Domestic, total	1,102	1,118	1,109	1,117	1,114	1,136	1,136
Total Exports	937	969	994	796	762	825	825
Use, total	2,039	2,087	2,103	1,913	1,876	1,961	1,961
Ending Stocks	1,080	1,028	845	674	570	828	828
Stocks/Use Ratio	53.0%	49.3%	40.2%	35.3%	30.4%	42.2%	42.2%

# COCOA VULNERABLE TO A FOURTH QUARTER SELLOFF

Cocoa's rally earlier this year started with concerns about production. The rally went hyperbolic when mainstream media started covering the story during Valentine's Day week, which kicked off the FOMO-driven move above \$12,000. The latest forecast from the International Cocoa Organization (ICCO) calls for the soon-to-be-concluded 2023/24 season to have a record-sized global supply deficit of 462,000 tonnes. As a result, cocoa's stocks/usage will drop to 27.9%, the lowest on record.

"Five-digit" cocoa prices would have been hard to sustain over the long term, and the market has been unable to follow through on several recovery moves after having a sharp late-April pullback. The La Nina weather event expected to start this year should bring wetter conditions to major cocoa-growing areas in West Africa, leading to improved Ivory Coast and Ghana production during the 2024/25 season.

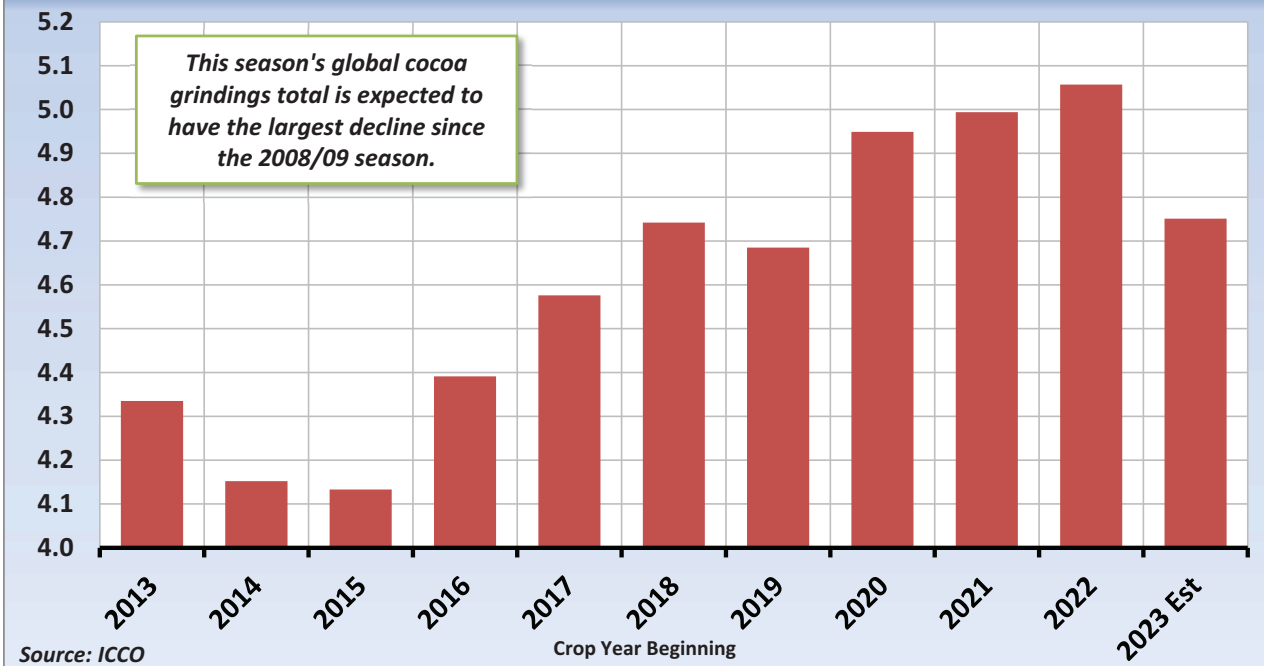
Global cocoa production is forecast to fall 14% from last season to 4.332 million tonnes. The lower production is offset by the ICCO projecting global grindings to decline 6% from the 2022/23 season to 4.751 million tonnes.

Cocoa processors may need significantly lower prices to become more aggressive in acquiring near-term supply. With lukewarm global risk sentiment added to the mix, cocoa prices have significant downside potential going into the fourth quarter until they find a longer-term floor.

## Suggested Trading Strategy

**Option Spread:** BUY a December Cocoa 7300/6700 bear put spread at 175 or better. Use an objective of 504 and risk the option spread to 90.

## Global Cocoa Grindings Million Tonnes By Season





# RISING GOLD ETF HOLDINGS MAY LEAD TO EVEN HIGHER GOLD PRICES

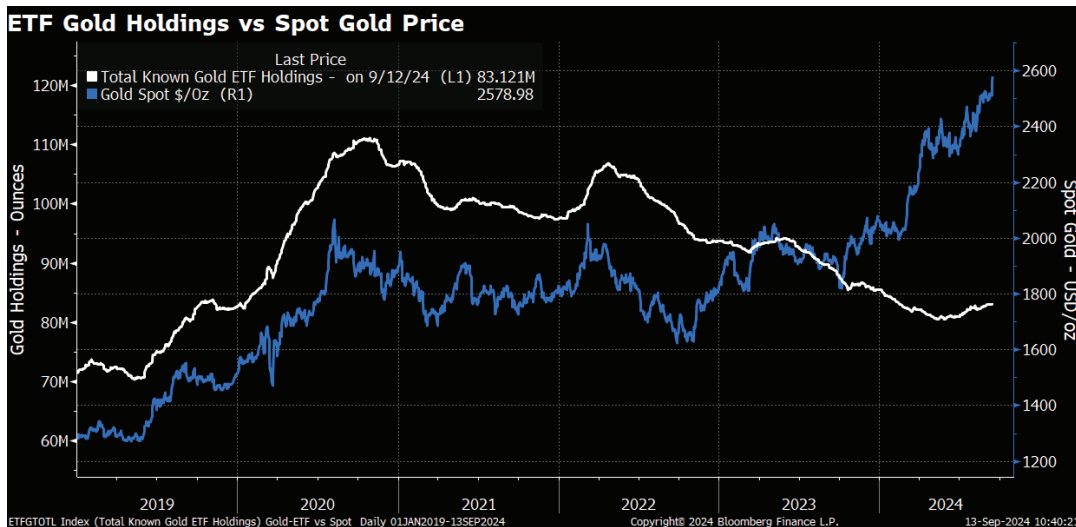
Gold ETF holdings have historically tracked the price of gold. However, the recent push higher in gold prices to record levels has not been matched by a significant increase in ETF holdings.

The World Gold Council pegged gold holdings by exchange-traded funds (ETFs) at 3,181.74 tonnes at the end of August. While this was a moderate monthly increase of 28.52 tonnes, it was the fourth monthly increase in a row after hitting a four-year low at the end of April. Yet gold ETF holdings have hardly tracked the move higher in gold prices this year. Gold ETF holdings had been in a long-term downtrend after reaching a record high of 3,916.21 tonnes in October 2020.

Nearby gold prices reached another new record high on Friday and, with a gain of \$73 for September so far, remain on track for an eight-month gain in a row. Gold's primary source of strength has been the prospect of central bank rate cuts in the US, the Eurozone, and Canada by the end of 2024. This has helped offset a significant pullback in global gold jewelry demand due partly to the record high gold prices.

Nearly half of the global ETF holdings are in US-based funds. The US dollar weakened during the third quarter and could lose further value if the FOMC meeting signals 100 basis points of rate cuts by the end of 2024. An extended selloff in the US dollar would benefit gold prices, which could encourage US investors to increase their gold ETF holdings.

Unlike futures contracts, gold ETFs enable investors to more easily invest in gold and hold positions for more extended periods. With August ETF gold holdings 158 tonnes below their August 2023 reading and 733 tonnes below the record high, many gold investors appear to still be on the sidelines. As a result, a significant build-up in ETF holdings over the rest of this year could send gold prices far above current levels.



## TOP 12 CRUDE EXPORT DESTINATIONS

**Hurricane Francine may disrupt US crude oil exports which have been averaging over 4.2 million barrels per day during the first half of this year.**

*Courtesy of the EIA, these are the top 12 destinations for US crude oil exports during the first half of 2024 (in barrels):*

Netherlands	140,748,000
South Korea	95,192,000
Canada	65,126,000
UK	53,010,000
Singapore	52,139,000
China	51,410,000
India	43,925,000
Spain	42,463,000
Taiwan	41,782,000
Germany	23,106,000
France	23,035,000
Italy	22,799,000



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 September 11, 2024  
Non-Commercial & Non-Reportable  
Combined Futures & Options

Market	Net Position	Net Change	4-Wk Net Change	52-Wk Ranking
Grains				
CBOT Grains	-304,714	55,011	175,609	32
Corn	-111,858	29,608	125,007	48
KC Wheat	-11,583	9,674	20,076	51
Minn Wheat	-19,147	5,592	6,331	41
Rice	-618	317	-507	3
Soybeans	-165,412	13,642	39,879	19
Soyoil	-11,290	2,227	37,912	33
Soymeal	55,925	7,244	29,643	26
Wheat	-27,444	11,761	10,723	50
Livestock				
Cattle	41,061	1,834	-2,601	10
Feeder Cattle	-9,309	-1,163	762	2
Hogs	32,413	-512	21,621	33
Metals				
Copper	20,264	-768	-5,875	27
Gold	304,858	-3,557	-19,649	48
Platinum	15,511	7,142	-4,298	24
Silver	58,434	-2,064	-8,590	27
Softs				
Cocoa	29,969	-784	2,561	20
Coffee	65,229	-885	-2,473	34
Cotton	-43,655	-8,684	-4,362	1
Lumber	#N/A	#N/A	#N/A	#N/A
Milk	2,937	1,227	2,490	52
OJ	5,778	549	1,085	49
Sugar	49,419	-15,790	63,731	18
Currencies				
Canadian	-68,491	-6,151	98,989	24
Dollar	17,980	75	1,608	34
Euro	137,135	-22,089	24,473	40
Energies				
Crude Oil	207,021	-32,346	-68,735	1
Gas (RBOB)	11,960	-4,027	-3,645	1
Heating Oil	-6,603	-18,548	-13,832	1
Natural Gas	-74,291	10,841	-7,510	35
Financials				
Bonds	44,240	-43,625	-41,643	43
E-Mini S&P	-1,115	-21,730	29,920	31
Dow Jones \$5	9,182	1,990	1,575	25
T-Notes	-837,448	-13,139	-110,483	1
	<b>Extreme</b>	Ranking 1 = Shortest Short		
	<b>5% of Extreme</b>	52 = Longest Long		