



September 20, 2024

THIS ISSUE

Near Term:

Bullish:	Gold Corn Wheat
Bearish:	Soybeans Coffee

Other:

Cushing Crude Stocks Close to an Operational Low

MAJOR ECONOMIC EVENTS

September 23

- Chicago Fed National Index

September 24

- Case-Shiller Home Price Index
- Consumer Confidence

September 25

- New Home Sales

September 26

- Gross Domestic Product
- Durable Goods
- Jobless Claims
- Pending Home Sales
- KC Fed Manufacturing Index

September 27

- Personal Income
- Goods Trade Balance
- Wholesale Inventories
- Consumer Sentiment

Economic Focus

Goldilocks Environment a Boost for Financial Markets

Interest rate sensitive markets responded aggressively to what some saw as an aggressive move by the US Federal Reserve to reduce interest rates by 50 basis points in the September meeting. Inflation has softened, and economic data has shown signs of slowing. Still, the markets widely anticipated a 50-basis point rate cut, and therefore, it was needed by precious metals, equities, copper, and nondollar currency markets.

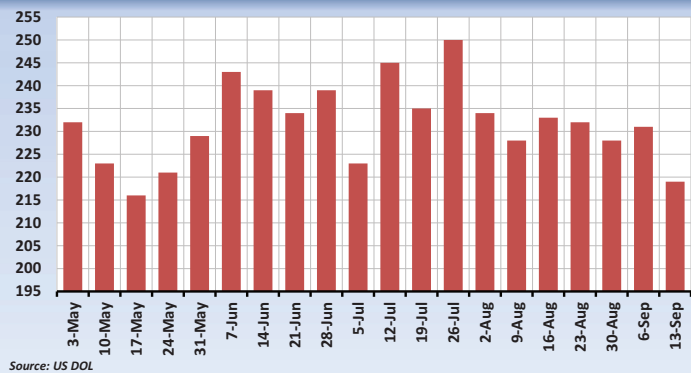
On the other hand, inflation and economic data have not settled into definitive trends. Therefore, the Fed might have been forced to act aggressively because of the inability to cut rates next month as there is not an October FOMC meeting. Certainly, the Fed could undertake a very aggressive and sometimes disconcerting move to cut rates "between meetings", but that could have ruptured market sentiment and damaged economic sentiment. Our view that the 50-basis point rate cut was "aggressive" in that the most recent US initial claims reading was the lowest since the May 17th reading, suggesting that the US jobs market remains resilient. While the Fed's action was clearly preemptive, it has provided a lift in overall sentiment and confidence throughout the world!

As mentioned in the previous issue, many physical commodities are not positioned to see a noted and sustained lift from macroeconomic events like rate cuts. On the other hand, markets like gold, silver, and copper have and should continue to derive lift from the Fed's effort to support the US economy. Therefore, the latest round of record-high gold prices is likely to extend, equities should continue to trend higher, and treasury bonds should present a buying opportunity for

corrective action. Unfortunately for copper bulls, copper has probably priced in too much optimism with the September low-to-high rally of \$0.34 (+8.4%) rally. In fact, recent Chinese economic data posted soft imports, the PBOC recently left interest rates unchanged and most Chinese scheduled activity measures have been languishing. In conclusion, we see crude oil, gasoline, ULSD, copper, cotton, hogs, soybeans and coffee as overvalued!

US Weekly Initial Jobless Claims

1,000 Jobs



OVERVALUED/UNDERVALUED

Fundamental	Technical	COT
OVERVALUED		
Copper	Hogs	Coffee
Crude Oil	Cotton	Soybean Meal
Cotton	Copper	Copper
UNDERVALUED		
Stocks	Silver	Corn
Bonds	Notes	Canola
British Pound	Natural Gas	Natural Gas

OUR OPINION... MARKET BY MARKET

Market		*
Stocks	Goldilocks environment, falling rates, steady numbers.	L
Bonds	Buy the rumor/sell the fact, but the bias remains up.	L
Dollar	Shift into easing bias leaves the Dollar out of favor.	S
Euro	Win by default; US Fed more proactive than ECB.	L
Gold	Bullish environment; falling rates+positive econ.	L
Silver	Following gold up with a favorable mkt environment.	L
Copper	Overdone rally as Chinese demand remains soft.	S
Crude	Overvalued after short covering & rate cut lift.	S
Gasoline	Hurricane season lift & rate cut lift, now overdone	S
Nat Gas	Range bound; oversupplied vs temp demand.	N
Soybeans	Bearish supply & harvest pressure offer weak tone.	S
Corn	Pullback support in the \$4 zone should hold.	L
Wheat	Russian price won't rally, but global prod cuts bullish.	L
Hogs	Strong tech action, but recent rally looks to slow	N
L Cattle	Bullish action after Fed, 182-183 resistance on Dec.	L
Sugar	Overbought after 3 cent rally in one week.	S
Coffee	Colombian production continues to improve.	S
Cocoa	Ivory Coast production will improve next season.	S
Cotton	Heavy rain from Francine will cause harvest delays.	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.

OPTIONS SCAN

Undervalued

Buy Nov Soybean 990 put @ 8

Buy Dec Hog 73.00 put @ 2.00

Buy Nov Bond 127.00 call @ 0-50

Overvalued

Sell Dec Copper \$4.48 call @ 0.1290*

Sell Nov Silver \$36.00 call @ 0.30*

Sell Dec Sugar 23.50 call @ 1.00*

Trend Reversals

Buy Nov Crude \$70.00/\$67.00 bear put @ 0.68

Buy Dec Cotton 74.00/67.00 bear put @ 2.15

Buy Dec Copper \$4.36/\$4.28 bear put @ 0.0350

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 8/2/24	Long a December Gold \$2,640/\$2,770 bull call spread at 16.00.	Use an objective on the short call of 9.00, an objective on the spread of 52.00, and use a profit stop of 35.00.
Gold 9/20/24	BUY a December Gold \$2,690/\$2,800 bull call spread at 23.00	Use an an objective of 69.00, and risk the strategy to a price on the spread of 10.00.

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GOLD MARKET UPDATE!

While we think the historic rally in gold prices will continue with the Goldilocks economic conditions of falling interest rates and generally positive economic activity, the market has become short-term overbought. Our initial bull call spread recommendation from July 19th hit its objective. Our second bull call spread recommendation from August 2nd is performing impressively, and in this week's Longer-Term Trades table, we suggest entering a profit stop for that position. Furthermore, we suggest those interested in getting long gold and silver become conservative and wait for a market correction to establish fresh longs. However, the overall environment for gold and silver looks to remain supportive in the coming months with falling rates, a weak US dollar, and signs of expanding investment interest. Certainly, a pattern of record-high moves provides speculative and technically based long interest. It should also be noted that gold ETF holdings have reached 64 million ounces, expanding by 3.5 million since the pre-pandemic low posted on March 17th.

Corrective Targeting for Fresh Long Entry!

Uptrend channel support in December gold into the end of September is \$2561, the initial retracement of the September rally is \$2587, and a key support point from the recent quasi-double low is \$2572. It should also be noted that adjusted for the rally from the recent round of all-time high prices, the net spec and fund long position in gold is likely approaching the highest levels since the height of the pandemic panic. Lastly, the gold market has a history of significant corrective action within major bull market moves, suggesting conservative/patient fresh long entry pricing.

Suggested Trading Strategy

BUY December gold \$2,690/\$2,800 bull call spread at \$23.00 with an objective of \$69.00. Risk the strategy to a price on the spread of \$10.00.

Known Gold ETF Holdings Million Ounces - Weekly



SOYBEANS ENTERING MAXIMUM HARVEST HEDGE PRESSURE TIMEFRAME

The soybean complex is entering a transition period with North American production wrapping up for the season and South American crops now getting planted, which is causing uncertainty for traders, and that is one reason prices have been range-bound this past week. US crop weather remains an important factor for the next several weeks for harvest progress, and recent prevailing dry conditions are expected to change in the short term. Over the next week, precipitation chances increase significantly from the Texas Panhandle into Kansas and Missouri. Illinois also looks to see some precipitation, with lighter amounts forecast for Indiana and Ohio. Return to drier conditions across the central and western bean belt are forecast in the 6-10 and 8-14 day timeframes.

Anecdotal reports from farmer contacts in the eastern belt indicate that early bean yields may not be as good as optimistic expectations suggested. A continuation of that trend may result in a minor decrease in US yields in the October USDA supply/demand report. However, in the short term, soybean prices may be limited on the upside by increasing US harvest hedge pressure and worries over possible retaliation by China as the US EV tariffs are set to be implemented on September 27. This week's aggressive Fed interest rate cut of 50 basis points can be considered a positive for commodity prices in general. However, the bearish supply balance sheet for soybeans must change before the soy complex can see any meaningful price rally.

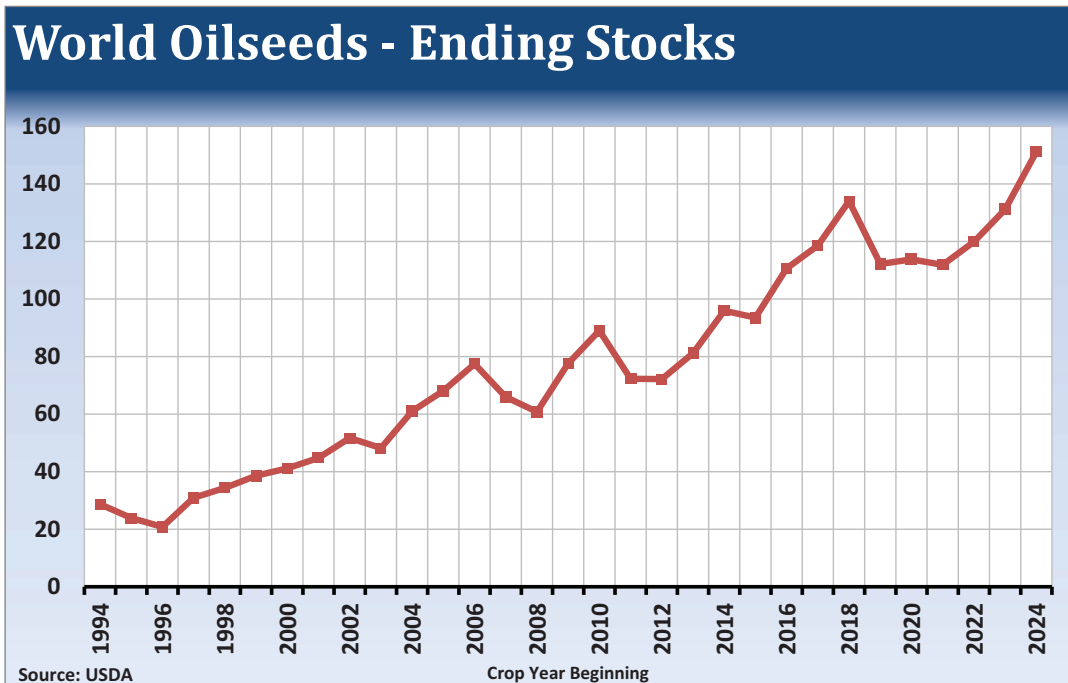
The unusually low NOPA August crush figure, which came in well below the guesses and the lowest for any month in the last three years, has raised worries over US bean demand since US exports are still behind average for the season. The low crush number seems counterintuitive, with

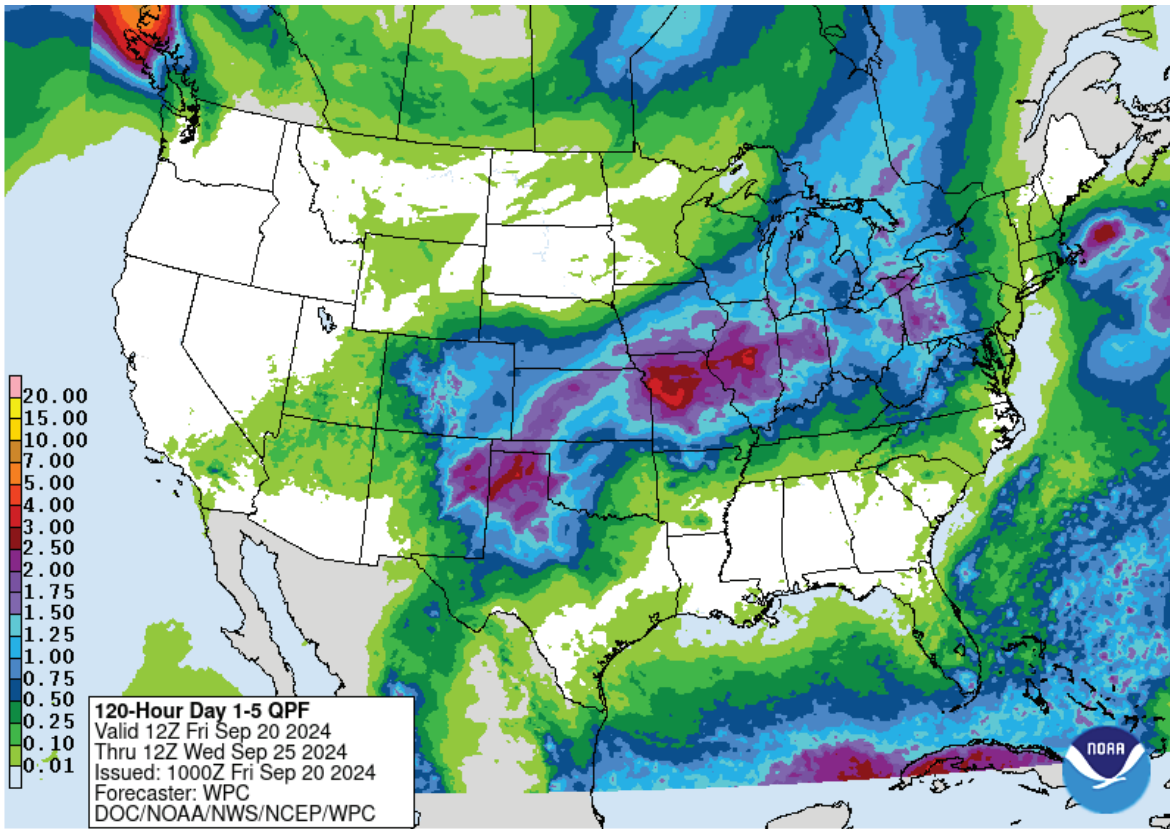
additional plants seemingly coming online each month. However, plants have been running very hard this year with solid crush margins, and maintenance downtime was needed, dropping the crush pace much more than expected. In addition, new processing plants coming online take time to ramp up to full production. The significance of the crush pace to the US balance sheet cannot be overstated, as it is one of the few vital demand factors expected to offset very high US bean supplies.

The soybean outlook remains bearish despite the late August rally. A return to the August lows at 955 is possible, especially if November prices break below nearby support at 995. Speculators can consider bearish positioning for the next 45 days during harvest.

Suggested Trading Strategy

BUY 2 November 1000 put options at 16 cents or better for a total cost of 32 cents. Risk a total of 19 cents of the 32-cent total cost. Take profits on the puts if November Futures touch 956.

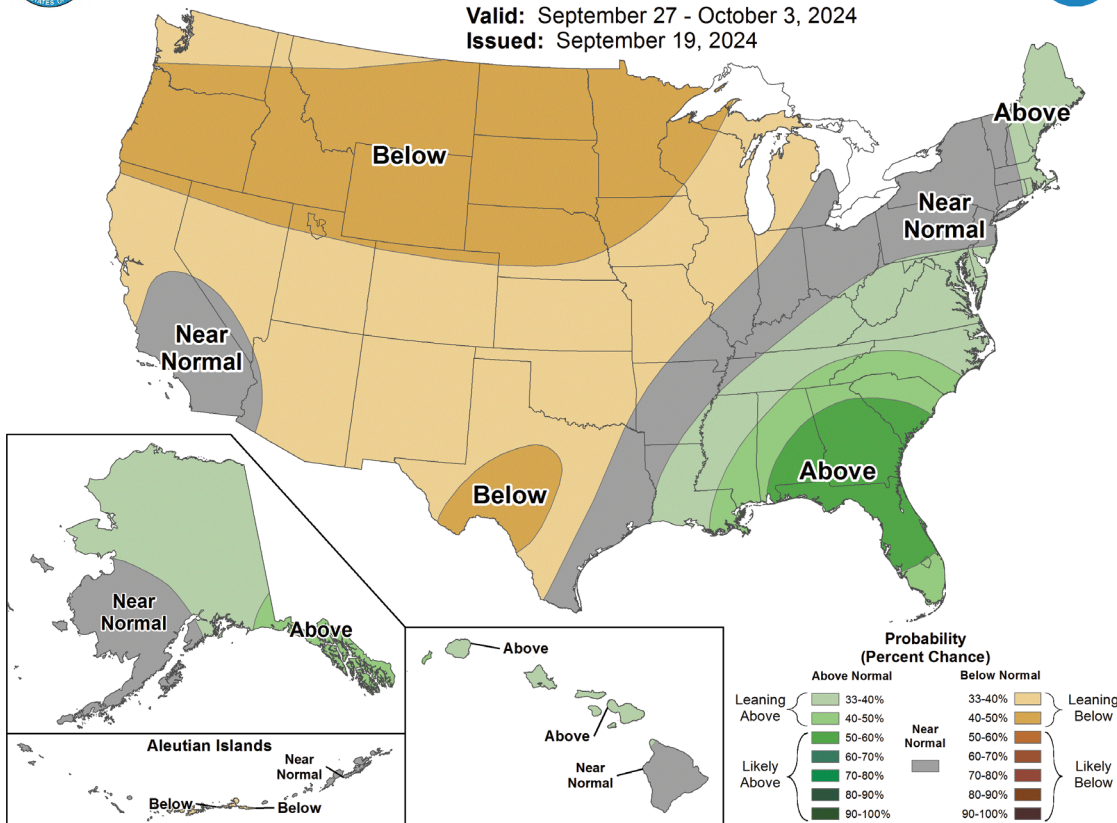




8-14 Day Precipitation Outlook



Valid: September 27 - October 3, 2024
 Issued: September 19, 2024



FEEDGRAINS: CORN AND WHEAT SUPPORT EXPECTED ON PULLBACK

Corn

This past week, corn prices could not move above resistance, and a pullback is ongoing despite the Fed rate cut offering a more positive long-term view for commodity markets. The US corn harvest is expected to be around 15–20% complete, but some short-term harvest delays may be observed in some areas over the next week as rains are forecast for Kansas eastward through Missouri and Illinois. Returning to a drier pattern in the 6 to 14-day period should keep further delays to a minimum. If dry weather continues well into October, a fast harvest pace could narrow the hedge pressure timeframe more than usual, resulting in acute and aggressive selling over a condensed period of a couple of weeks. Therefore, expectations of a strong rally over the next few weeks have been tempered.

Production in the Black Sea, Russia, and the EU have been cut recently, and Argentina's corn planted area is expected to be down from last year. These are long-term supportive factors, and the potential for La Niña in South America this winter typically results in a dry pattern for southern Brazil and Argentina. In addition, the Fed rate cut this week is likely to be the start of several cuts in a row, and the lower rate trend is expected to pressure the US dollar and boost US export competitiveness. The bottom line for corn is for continued hedge pressure on rallies for the next few weeks, after which the market may see better upside potential.

Suggested Trading Strategy

Bull Call Spread: BUY 4 November Corn 400 calls and SELL 4 November Corn 420 calls for a total cost of 6 ½ cents or better, or a total of 26 cents cost. Take profits if December Futures touch 424. If December Futures prices pull back below 390, consider exiting the short 420 calls at ½ cent and keeping the long 400 calls on. Risk a total of 15 cents of the 26-cent cost of the entire position.

World Corn - Days of Supply



Dalian Corn vs US Corn - USD/bu



Continued on Next Page...

FEEDGRAINS: CORN AND WHEAT SUPPORT EXPECTED ON PULLBACK

Continued from Previous Page

Wheat

This past week, December Chicago wheat prices pulled back from the prior week's strong close due to rains earlier in the week in Western Kansas. Over the next five days, additional rain chances are expected across Kansas, the Texas Panhandle, and western Oklahoma. Farmers have been waiting for moisture to improve planting conditions, and forecasts indicate precipitation is coming.

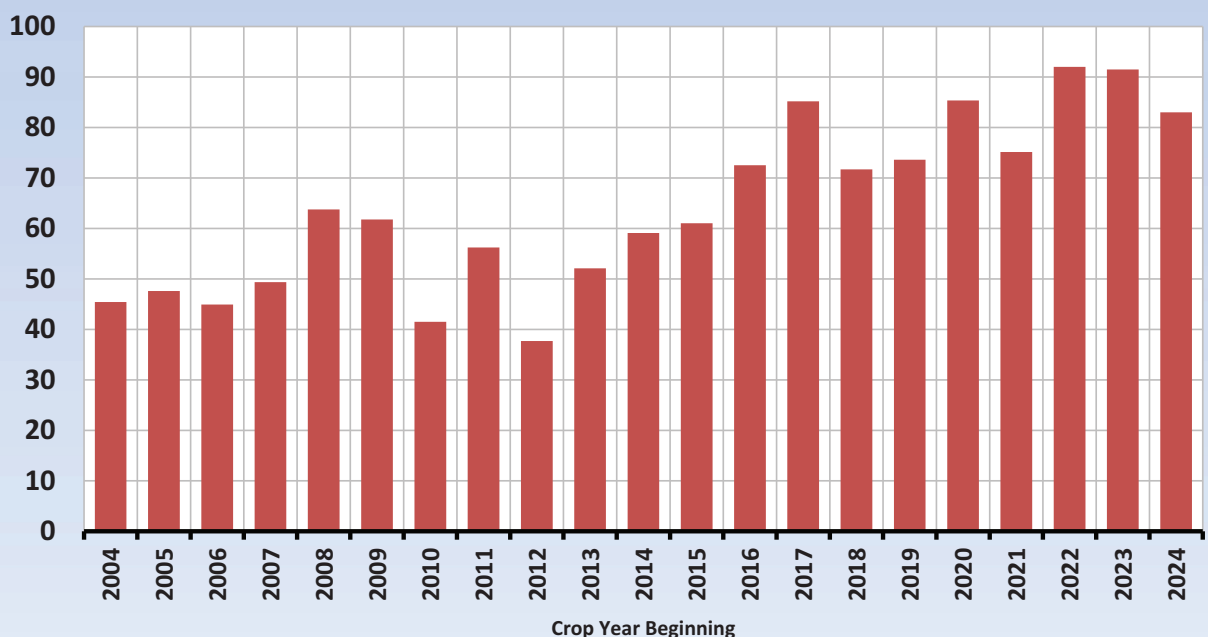
The anticipated moisture in the Plains and a lack of upside movement in Russian wheat prices are negative factors. However, the market is moving into retracement support, which should mitigate the downside. Egypt has not stepped up with any additional major purchases on this price break after making a private deal last week with Russia for 430,000 tonnes. The Russian strike on a wheat ship carrying Ukrainian grain 2 weeks ago has not significantly disrupted Black Sea shipping. Ukraine exports over the last two months have

been very strong. Chicago December wheat's 50% retracement support from the August low to the September high stands at 559 $\frac{3}{4}$, and 50-day moving average support coincides at 560 $\frac{1}{2}$. If the pullback extends, 0.618% support stands at 550 $\frac{1}{2}$. We prefer to position long on this break.

Suggested Trading Strategy

BUY 1 December Chicago Wheat Futures on a pullback to 560 $\frac{1}{4}$. Add another 1 long Futures if December prices hit 552. Risk a move to 544 on December Futures on both contracts for a total risk of 24 $\frac{1}{4}$ cents if both contracts are filled. Take profits on all contracts if December Futures moves up to 610.

Russia Wheat Production Million Metric Tonnes



COFFEE PRICES SETTING UP FOR A PULLBACK

The coffee market has been in an uptrend over the past six months and reached its highest price level in 13 years on Monday. December coffee had a key daily reversal on Monday and will end the week with a key weekly reversal. The latest COT report shows coffee with a sizable net spec short position, which leaves the market vulnerable to profit-taking and additional long liquidation.

Suggested Trading Strategy

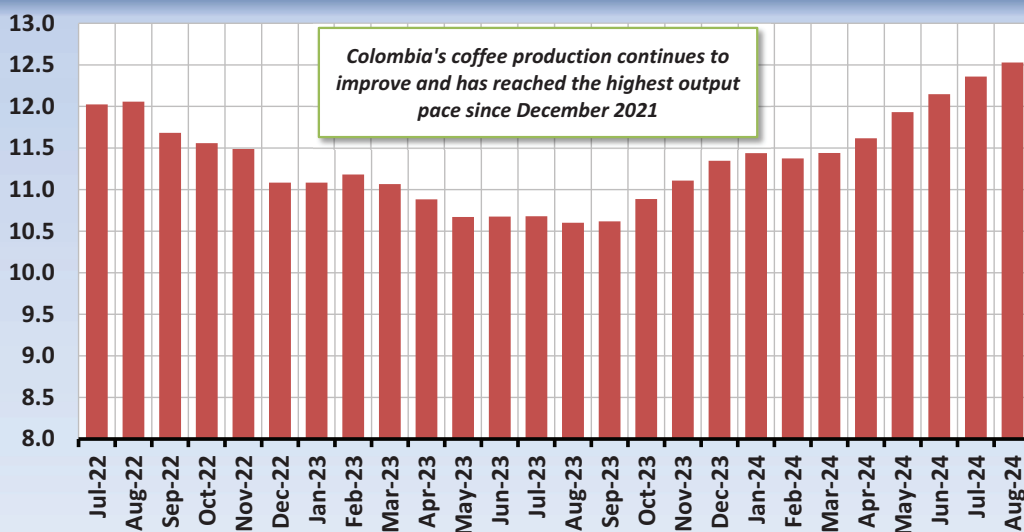
Option Spread: **BUY** a December Coffee 245.00/230.00 bear put spread at 5.50 or better. Use an objective of 12.80 and risk the option spread to 3.10.

Brazil's government agency Conab reduced its nation's 2024/25 Arabica production estimate from 42.11 million to 39.59 million bags due to severe drought conditions that could also impact the 2025/26 Arabica crop. Keep in mind that the 2024/25 Arabica harvest is nearly complete, and Conab's 2024/25 Arabica production forecast is slightly lower than its 2023/24 Arabica production estimate of 38.9 million bags, which is a four-year high.

In contrast, Colombia's production has improved over the past 12 months. From September 2023 through last month, the country's production total was 12.528 million bags, a 1.926 million increase from September 2022 through August 2023 and its largest 12-month production total since December 2021. More significant production should result in a longer-term improvement in Colombia's coffee exports, affecting coffee prices.

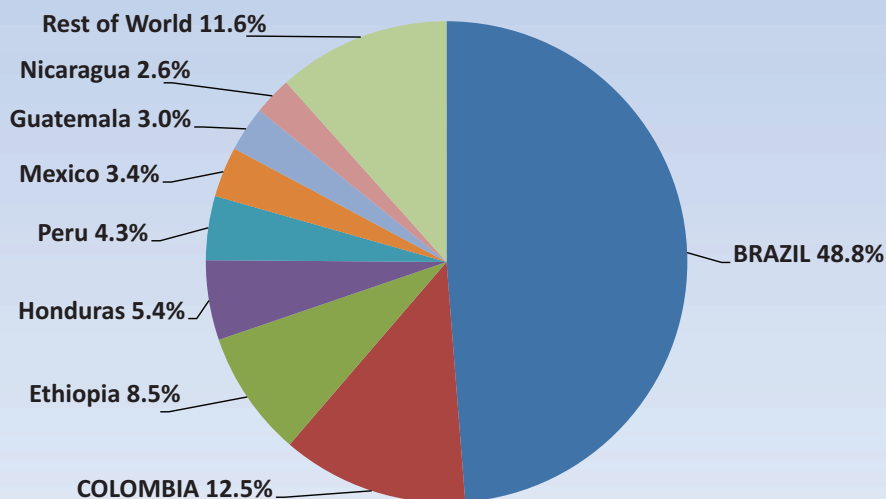
Brazil and Colombia combined account for 60% of global Arabica production, with Mexico and Central America holding a 15% share. Brazilian weather issues could negatively impact next season's production, but the near-term supply situation should be adequate during the fourth quarter. As a result, coffee prices are overvalued at current levels and could have a sizable pullback.

Colombia Coffee Production 12-Month Total/Million 60-kilo Bags



Source: FNCC

Arabica Coffee Production % Share of 2024/25 Season



Source: USDA

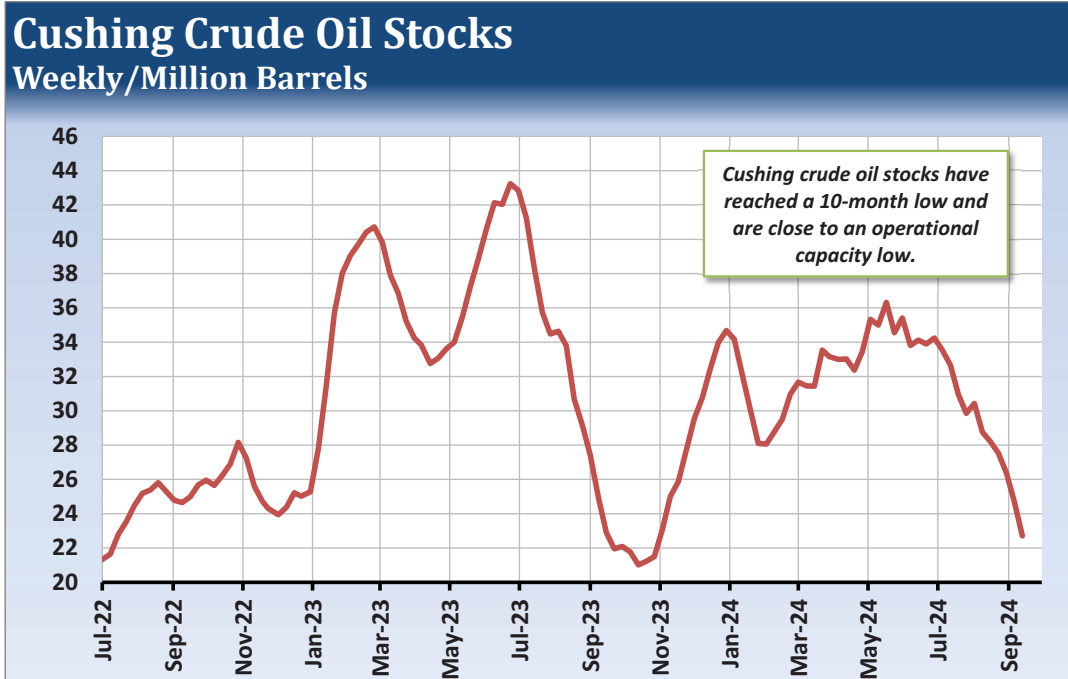
CUSHING CRUDE STOCKS APPROACHING AN OPERATIONAL LOW

This week's EIA supply report showed total US crude oil stocks at 417.513 million barrels, their lowest reading since September 29, 2023. This weekly decline was more significant than expected and is partly due to 39 weeks in a row of inflows to the Strategic Petroleum Reserve (SPR). When crude oil is moved into the SPR, it is removed from the national stocks number. In addition, US crude oil production saw a minimal downtick to 13.2 million barrels per day, partly due to shutdowns from Hurricane Francine passing through the Gulf of Mexico.

This week's report showed Cushing, OK crude oil stocks at 22.711 million barrels, down 1.979 million. Cushing is the largest group of tank farms in the US, and stocks have fallen ten of the past eleven weeks. This week's stocks were the lowest since October 2023, the low before that is October 2014.

The average weekly decline in Cushing crude stocks over the past 11 weeks has been 1.048 million barrels. As of May, Cushing's working capacity was 78.410 million barrels, and this week's reading was only 29% of that level. Tank pumps need a minimum storage level to work properly and maintain the integrity of the tank shells. An unofficial industry estimate of Cushing's operational low is 20 million barrels.

Although pipelines from the Permian Basin to the Gulf bypass Cushing, it remains a crucial hub in the US pipeline network. Cushing crude oil stocks close to their operational low could result in a decline in crude stocks in other areas of the US. Even if domestic energy demand remains lukewarm, US crude oil stocks could reach a six-year low in the coming weeks, which in turn could strengthen energy prices.



TOP 12 BARLEY PRODUCERS

The USDA expects global 2024/25 barley production to reach 144.3 million tonnes, an increase of 1.8 million from last season but 17 million lower than the record high in 2020/21.

Courtesy of the USDA, these are the world's top 12 barley producers (in tonnes):

European Union	51,450,000
Russia	18,300,000
Australia	12,200,000
Canada	7,500,000
UK	7,500,000
Turkey	7,100,000
Ukraine	5,400,000
Argentina	4,700,000
Kazakhstan	3,400,000
USA	3,240,000
Iran	3,100,000
Ethiopia	2,485,000



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COMMITMENTS OF TRADERS

Data As of September 17, 2024
Non-Commercial & Non-Reportable
Combined Futures & Options

Market	Net Position	Net Change	4-Wk Net Change	52-Wk Ranking
Grains				
CBOT Grains	-289,194	15,520	147,997	33
Corn	-113,150	-1,292	87,977	47
KC Wheat	-10,104	1,479	16,197	52
Minn Wheat	-14,229	4,918	13,536	43
Rice	-22	596	326	7
Soybeans	-152,581	12,831	40,725	25
Soyoil	-14,584	-3,294	18,216	31
Soymeal	59,304	3,379	28,002	27
Wheat	-23,463	3,981	19,295	51
Livestock				
Cattle	38,410	-2,651	-3,303	9
Feeder Cattle	-8,399	910	450	6
Hogs	37,422	5,009	11,083	36
Metals				
Copper	27,693	7,429	-73	31
Gold	332,914	28,056	10,539	52
Platinum	26,770	11,259	4,783	40
Silver	75,646	17,212	5,856	45
Softs				
Cocoa	33,075	3,106	2,714	26
Coffee	70,549	5,320	-143	43
Cotton	-20,130	23,525	14,178	12
Lumber	#N/A	#N/A	#N/A	#N/A
Milk	3,858	921	2,719	52
OJ	5,437	-341	235	45
Sugar	72,766	23,347	36,329	27
Currencies				
Canadian	-69,690	-1,199	37,739	24
Dollar	-89	-18,069	-17,643	1
Euro	129,410	-7,725	-27,918	39
Energies				
Crude Oil	199,037	-7,984	-76,118	1
Gas (RBOB)	13,075	1,115	-8,011	3
Heating Oil	-15,696	-9,093	-27,678	1
Natural Gas	-75,815	-1,524	2,337	32
Financials				
Bonds	15,652	-28,588	-65,020	28
E-Mini S&P	-59,008	-57,893	-58,179	21
Dow Jones \$5	15,976	6,794	5,520	31
T-Notes	-889,733	-52,285	-200,952	1
	Extreme			Ranking 1 = Shortest Short
	5% of Extreme			52 = Longest Long