

# LAKEFRONT

## FUTURES

### THIS ISSUE

#### Near Term:

Bullish: Corn  
Soybeans  
Japanese Yen

Bearish: Sugar

#### Other:

2024 India Monsoon Has Above Average Rainfall

September 27, 2024

## Economic Focus

The global economic outlook has stabilized in favor of a generally positive outlook, with inflation continuing a very slow normalization. With several major economies shifting into easing modes and China offering up a major stimulus package, it makes for a very favorable environment for equities, interest rate markets, gold, silver, and copper. It also creates a less bearish environment for other oversupplied physical commodities like grains, natural gas, crude oil, gasoline, ULSD, and palladium. However, the implementation of a massive Chinese stimulus effort simply removes a portion of global physical commodity demand concerns. This is especially so with the markets remaining suspicious of the timing of enough forward progress in the Chinese economy to have a material impact on their commodity imports. In the meantime, traders should monitor the action in the Shanghai Stock Exchange Composite Index as a leading indicator of the effects of the stimulus and as a signal of Chinese economic sentiment.

Improving sentiment toward China should be a benefit to the grain markets which

appear to be in the process of forging major consolidation lows. Unfortunately for the bull camp, grains face substantial headwinds from more than adequate supply and only pockets of threats against production outside the US. On the other hand, major bottoms can occur in the “period of highest supply” which we define as significant harvest flow to the markets from

the northern hemisphere and expectations of generally good upcoming southern hemisphere production. However, global production issues in corn should leave it as the leading indicator for the grain complex, followed by wheat. In conclusion, commodity demand fears should moderate which should foster the beginning of key price lows!

### MAJOR ECONOMIC EVENTS

#### September 30

- Chinese Manufacturing PMIs

#### October 1

- ISM Manufacturing Index  
- JOLTS Survey  
- Construction Spending

#### October 2

- ADP Employment Survey

#### October 3

- Jobless Claims  
- ISM Services  
- Factory Orders

#### October 4

- Employment Situation  
- Canadian Ivey PMI



### OVERVALUED/UNDERVALUED

Fundamental	Technical	COT
<b>OVERVALUED</b>		
Natural Gas	Gold	Coffee
Soybeans	Silver	Copper
RBOB	Copper	Hogs
<b>UNDERVALUED</b>		
Treasury Bonds	Japanese Yen	Treasury Notes
Soybean Oil	Treasury Notes	Canola
Equities	KC Wheat	Corn

## OUR OPINION... MARKET BY MARKET

Market		*
<b>Stocks</b>	Winning by default, CD's are back below 5%.	L
<b>Bonds</b>	Stall around 124-00 unless inflation or jobs surprise.	N
<b>Dollar</b>	US most dovish with EU split & BOJ hindered; QE.	S
<b>Euro</b>	Up but weak Germany will be an anchor.	L
<b>Gold</b>	Overdone w/\$200 Sept rally; buy a break to \$2,615.	L
<b>Silver</b>	Overdone w/\$4.60 Sept rally; buy a break to \$31.07.	L
<b>Copper</b>	Overbought chart, but COTs & tight Shanghai stocks.	L
<b>Crude</b>	M.E. tension gaining focus; long Dec stops @ \$68.50.	L
<b>Gasoline</b>	Decent implied demand fate rests with WTI & M.E.	L
<b>Nat Gas</b>	AI power demand adds to bottom but overbought now.	S
<b>Soybeans</b>	S America dryness lifts prices, but nearing 1080 obj.	N
<b>Corn</b>	Brazil/Argentine drought supportive; buy breaks.	L
<b>Wheat</b>	US exports remain slow, Black Sea weather supports.	L
<b>Hogs</b>	Pullback ongoing after 1 1/2 month rally, sell bounce.	S
<b>L Cattle</b>	Cash stronger than expected but futures overbought.	N
<b>Sugar</b>	Thailand & India should have larger 2024/25 output.	S
<b>Coffee</b>	Dry Brazil conditions will cut 2025/26 production.	L
<b>Cocoa</b>	"Risk on" mood will improve near-term demand.	L
<b>Cotton</b>	Slow monsoon may damage India's 2024/25 crop.	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 Dec Bond 129.00 call @ 0-46**

**Buy Dec Silver \$35.00/\$38.00 bull call @ 0.35**

**Buy Dec Crude Oil \$69.00/\$73.00 bull call @ 1.30**

### Overvalued

**Sell Nov Bond 122.00 put @ 0-50\***

**Sell Nov Gold \$2,810 call @ 20.00\***

**Sell Dec Coffee 310.00 call @ 4.80\***

### Trend Reversals

**Buy Dec Copper \$4.40/\$4.33 bear put @ 0.0290**

**Buy Dec Natural Gas \$3.00 put @ 0.143**

**Buy Jan Sugar 22.75 put @ 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 8/2/24	Long a December Gold \$2,640/\$2,770 bull call spread at 16.00.	<b>HIT OBJECTIVE</b> on the spread at 52.40 for a profit of 36.40 on the strategy.
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.
Japanese Yen 9/27/24	BUY a March 2025 Japanese Yen 75.00 call for 0.0088.	Use an objective of 0.0470, and risk the call to 0.0044.

*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.*

# BIG CHANGE IN THE YEN

While we tend to avoid articles focusing on very long-term opportunities, pointing out the potential for major shifts in long-held “trends” might alert traders and hedgers to a paradigm shift. We hope early warnings of major trend shifts will help preserve profits from the existing trend can be secured and increase the potential to enter the new trend at what could eventually be very attractive pricing.

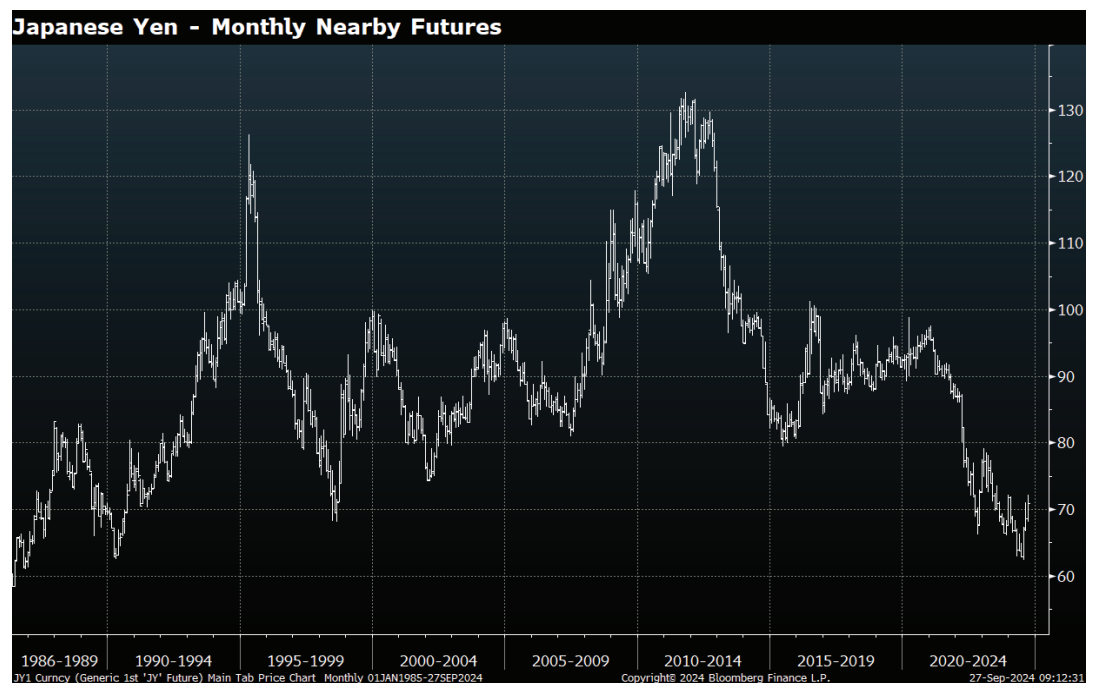
Throughout my career, I have visited 54 countries and can remember which global cities were extremely expensive and which cities were very inexpensive. On a recent trip to Tokyo, I was shocked at the cheapness of hotels, food, retail goods, domestic transportation, and services, especially since Tokyo is historically one of the most expensive cities in the world. Obviously, the Japanese economy has experienced decades of deterioration resulting from falling population, aging population, the rise of China, central bank policies, and numerous other forces. Not surprisingly, the decline of the Japanese economy and Japanese Yen has been massive, given the lofty status of Japan as one of the world’s top economies. In fact, when Japan was outperforming the world, Japanese business practices and manufacturing prowess were emulated worldwide. The near worship of all things Japanese in business resulted in a surge in business schools offering Japanese language classes. With the decades-long inflow of global capital into Japan, the value of the Yen nearly quadrupled against the Dollar between 1976 and 2011. Subsequently, the Japanese Yen plummeted 52% into the June 2024 low. The end of the horrendous washout resulted from sustained easing/negative interest rates by the Bank of Japan, which resulted in a massive capital exodus from Japan in search of better yields.

The argument for a major low in the end is primarily the result of the Bank of Japan beginning the move away from negative rates and the potential for a major reversal of international capital investment flows. In other words, global money has pressed the short side of the Japanese Yen and Japanese investments with some of that

money in place for decades. Recently, David Tepper (a renowned hedge fund manager) suggested on CNBC that the short Japan trade could be reversed, resulting in major capital movement. Mr. Tepper did warn of the potential pitfalls of positioning for a major reversal in the end by suggesting a surging currency could hinder Japan’s ability to export. However, a reallocation of funds can result from a desire to bank profits and migrate to other positions, which in itself can result in major moves. Another potential bottoming force is a commitment by the Japanese central bank to intervene to support the Yen. Lastly, the Yen has displayed signs of technical exhaustion and has obviously maintained seemingly excessive bearishness. From a shorter-term perspective, this year’s 34-year low in the Yen resulted in the highest open interest reading since the beginning of the global financial crisis back in 2007 and then plummeted into the end of July. In our opinion, that represents a blowoff bottom, which should set in motion which could become massive if money flows reverse.

## Suggested Trading Strategy

**BUY** March 2025 Yen 75.00 call for 0.0088, with an objective of 0.0470. Risk the call to 0.0044.



# SOYBEAN UPDATE: IDEAL HARVEST WEATHER FOR MUCH OF US

The soybean complex started this past week with solid gains on Monday, and prices held up throughout the week as dryness in northern Brazil and Argentina caught traders' attention. However, November bean prices are nearing upside objectives just above 1080. The extended Brazil forecast shows hints of rain in the 11-15 day timeframe, and monsoon rains in Brazil are due to begin in October, but weather models have yet to confirm their return. Futures trading volume in soybeans was higher than average for the week.

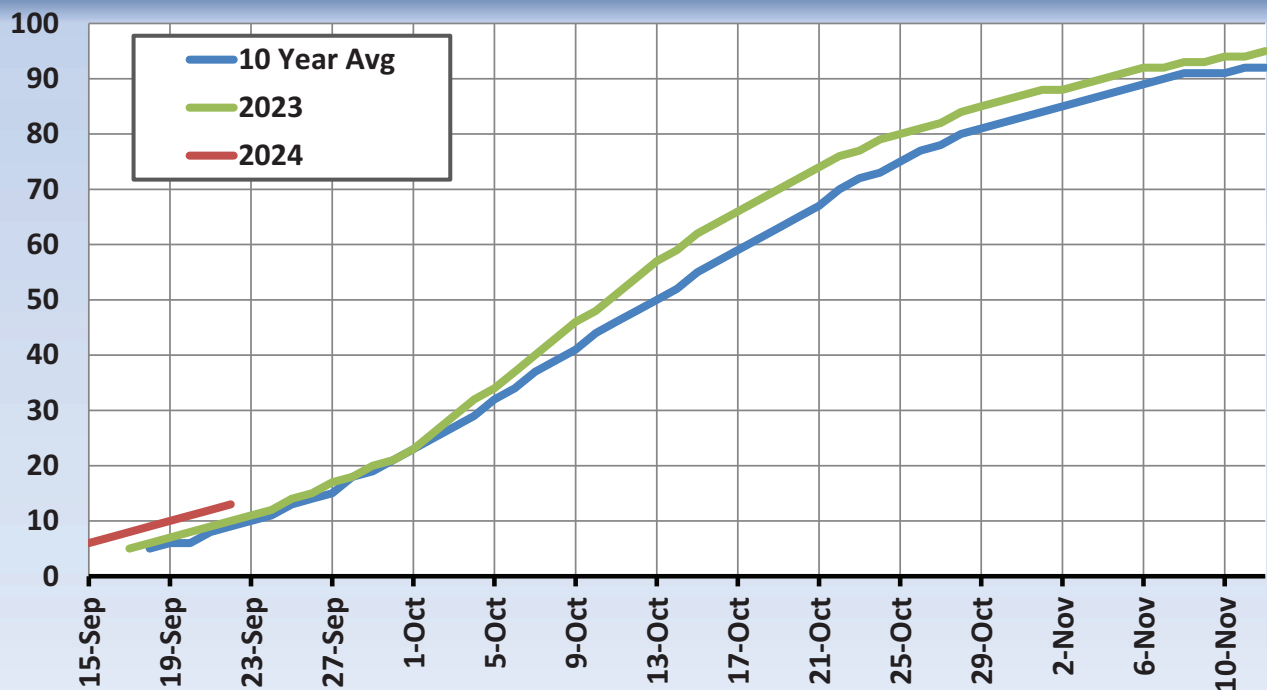
While Brazil's bean production can certainly be affected if dryness continues into late October, history suggests that delayed planting for beans only sometimes equates to production losses. Instead, Brazilian delays can be more bullish for corn than beans. It can push pollination of the safrinha corn crop, which follows beans, into the dry season, raising the odds of lower corn output. Brazilian

and Argentine farmers have been selling physical bean inventory as prices have rallied lately. US processor bids have been weakening as new crop beans become increasingly available.

Some of the price strength is likely due to worries over wind and heavy rain damage from tropical moisture in the southeast growing areas and soy processing plants caused by Category 4 Hurricane Helene. Any damage will need to be assessed after the storm but may not be significant enough to be a major concern. Except for the southeast bean belt, the rest of the Midwest will see an acceleration of harvest progress, with dry conditions expected for at least the next ten days.

On Monday, USDA will release the September Quarterly Grain Stocks report. Pre-report expectations have September 1st bean

## Soybean Harvest Progress - Select States Percent - Select States



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# SOYBEAN UPDATE: IDEAL HARVEST WEATHER FOR MUCH OF US

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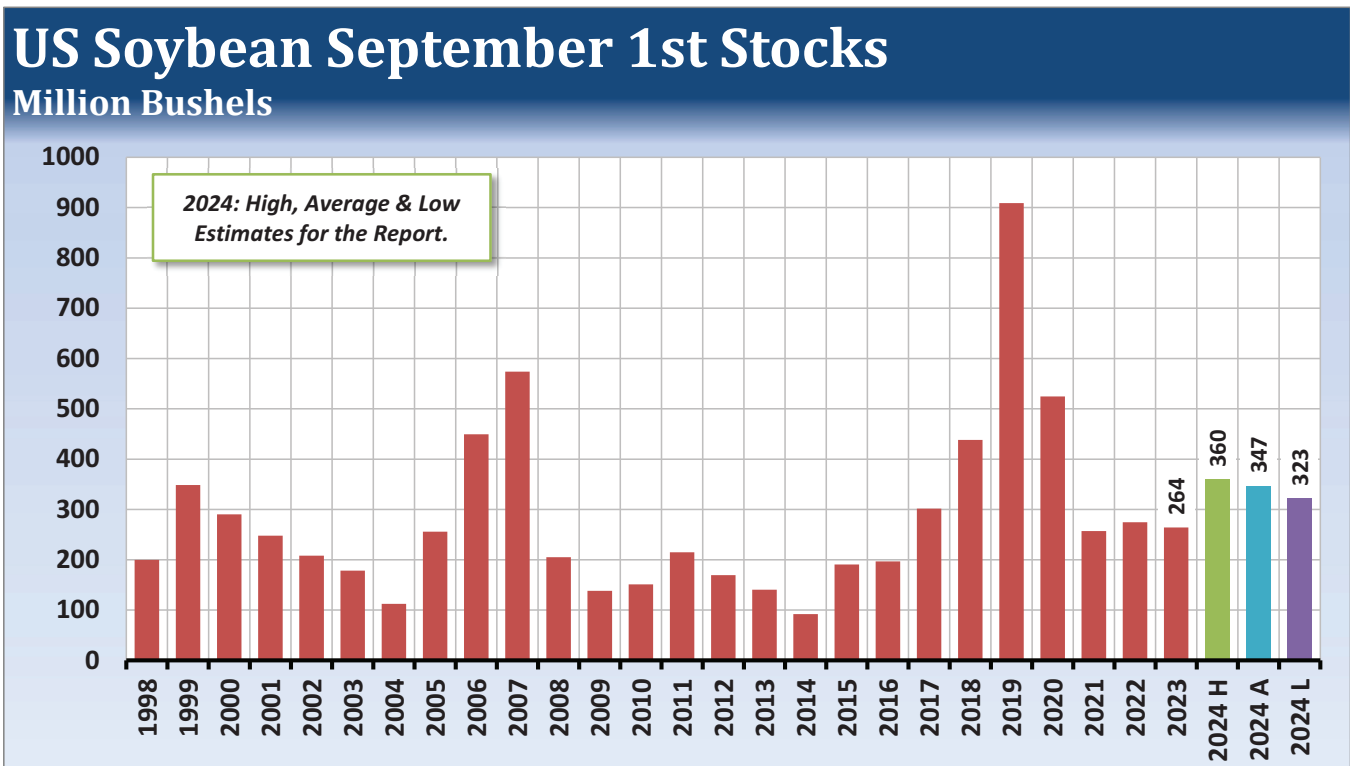
stocks at 351 million bushels, up from 264 million in September last year. In four of the previous seven years, the bean stocks number has landed outside the estimates range. USDA often revises last year's bean crop in the September stocks report, adding uncertainty and making the stocks number very hard to predict.

Since the August lows, November beans have rallied a little over \$1.30 a bushel, and the bulk of the harvest looms just ahead. No doubt, the Brazilian extended forecast is critical to price action; however, as mentioned above, strong crop yields can still be seen despite planting delays. Increased investment money inflow since the Fed rate cut has given a boost to soy futures lately, but bearish supply stats are likely

to come back to the forefront. With November soybean prices not far from significant resistance at 1080, we prefer to position for a pullback on a test of resistance after the recent strong rally.

## Covered Put Option Trade Recommendation

**SELL** 1 November Soybean Futures on a rally to 1074. Once filled, **SELL** 1 November Bean 1040 put option at the market, which should be around 10 cents. Risk 17 cents on the entire position. Take profits on the entire position if November Futures pull back to 1035.

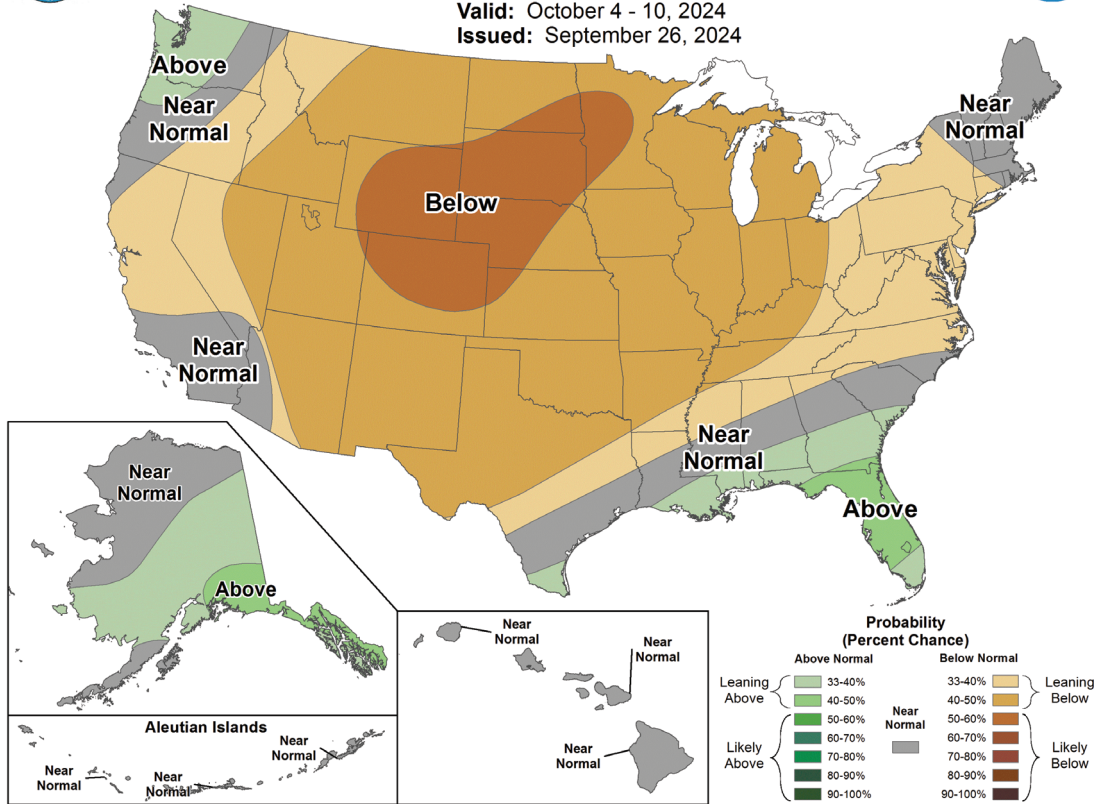




# 8-14 Day Precipitation Outlook

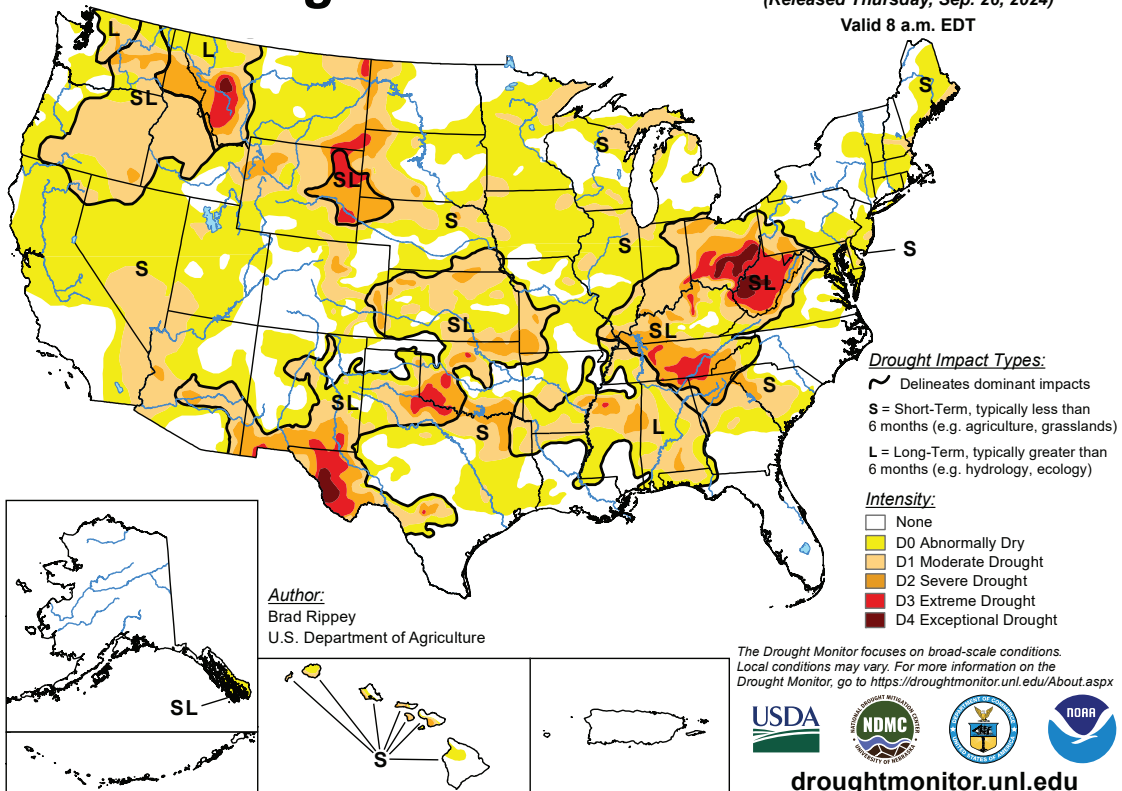


Valid: October 4 - 10, 2024  
Issued: September 26, 2024



## U.S. Drought Monitor

September 24, 2024  
(Released Thursday, Sep. 26, 2024)  
Valid 8 a.m. EDT



# CORN UPDATE: FUND INFLOWS, CHINA STIMULUS, & SOUTH AMERICAN DRYNESS SUPPORT

Recently, corn prices have tried to break out of the sideways range seen since late August but have been unable to extend the gains. Farmer hedge selling has been a feature on rallies, and South American dryness and China stimulus have provided underlying support. As mentioned in the soybean review in this letter, further Brazilian bean planting delays could significantly affect corn prices next year. Later than normal soybean planting and subsequent delayed harvest in Brazil can delay 2nd crop Safrinha corn planting past the ideal window, pushing pollination into the dry season. The longer the soybean planting delays persist, the more bullish for corn prices.

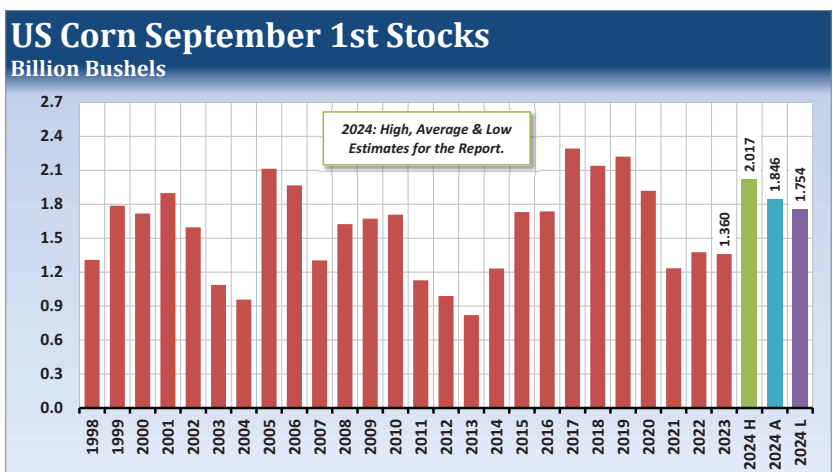
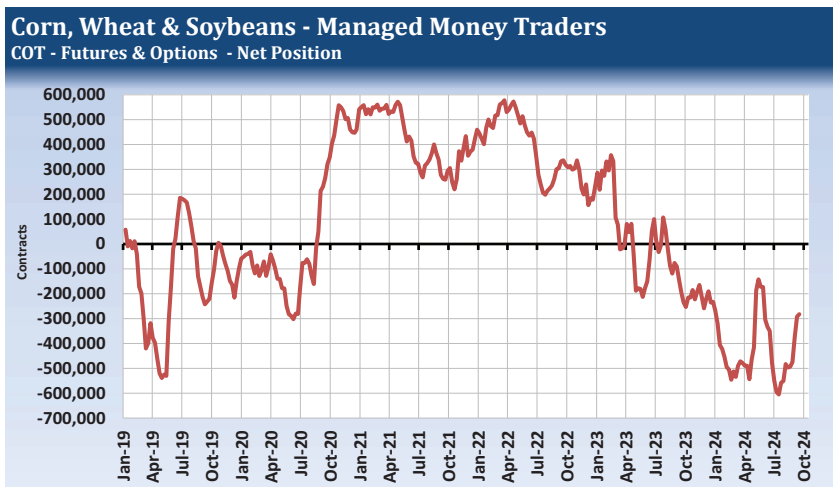
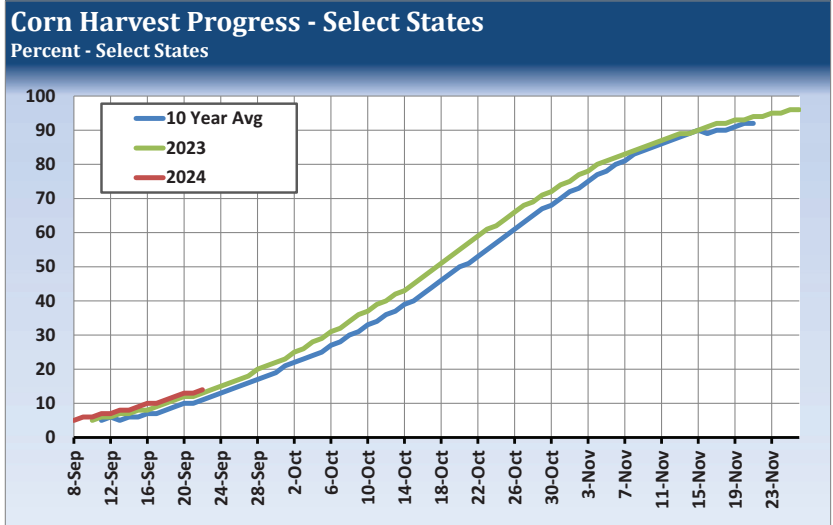
Since the Fed rate cut in mid-September, grain markets have experienced increased investment flows. Managed Money traders appear to be slowly but surely paring down net short positions across the grain complex. This has kept a bid under the market on breaks, but harvest hedge pressure has capped rallies.

Monday's Quarterly Grain Stocks report is expected to show September 1st corn stocks at 1.844 billion bushels, up from 1.360 in September of last year. The odds are high of a surprise as the stocks number has landed outside the estimated range in 5 of the last 7 years. Last year, corn prices sold off the day of the stocks report but rebounded the following day and rallied into the 2nd half of October. If the report is bearish, a similar result could occur this year, as support will likely be strong on pullbacks.

Bulls must be encouraged that harvest pressure has not been able to push prices down for a retest of the August lows. Although an extended rally may have to wait until harvest is at least 50% complete, with key lows likely occurring last month, we prefer to position for higher trade over the next few weeks.

## Suggested Trading Strategy

**BUY** 1 December Corn Futures at 415 or better. Once filled, **BUY** 1 November Corn 410 put at the market, which should be around 6 cents. The put will serve as your downside protection until expiration on Oct 25th. The entire position has a maximum risk of 13 cents on the downside. Exit the entire position at option expiration or if December Futures touch 439.



# SUGAR PRICES OVERVALUED

Sugar prices increased by 25% from September 10th through Thursday, reaching their highest level since December. Bullish supply developments in Brazil fueled sugar's upsurge, but prices have gotten far ahead of their near-term fundamentals. A negative weekly reversal on Friday followed Thursday's daily reversal, and that opens sugar up to a follow-through on the downside.

Thailand's Cane and Sugar Board projected their 2024/25 sugar production at 10.35 million tonnes versus 8.77 million last season, with most of that increase heading into the global export market. India's above-average monsoon rainfall should end its current sugar export ban, with the ISMA projecting India will have 2 million tonnes of sugar exports during the 2024/25 season.

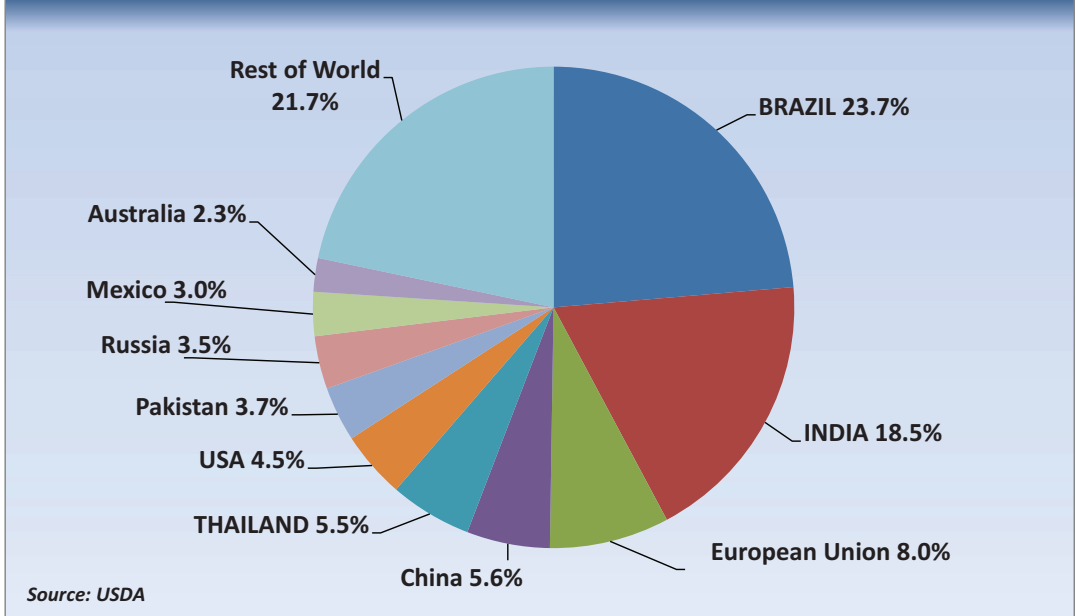
Brazil has seen significant wildfires this year, with several occurring in its major cane-growing regions. Burnt sugarcane can still be harvested and processed and will maintain quality if completed within several days of the fire damage. Keep in mind, as of mid-September, Brazil's Center-South cane crushing was 3.9% ahead of last season's pace, and sugar production was 3.6% ahead of last season's pace.

Brazil's wildfires and dry growing conditions will have more of an impact on their cane crop during the upcoming 2025/26 season, while many of the world's largest sugar-producing nations are looking at larger output during the 2024/25 season. With global sugar exports expected to remain well supplied during the fourth quarter, sugar prices could give back a sizable portion of their recent rally.

## Suggested Trading Strategy

**Option Spread:** **BUY** a December Sugar 22.50/20.50 bear put spread at 0.70 or better. Use an objective of 1.85. and risk the option spread to 0.30.

## Global Sugar Production % Share of 2024/25 Season



## TOP 12 SUGAR IMPORTERS

The USDA expects global 2024/25 sugar imports to reach 57.383 million tonnes, an increase of 500,000 from the 2023/24 season and the third highest import total on record.

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

Indonesia	5,550,000
China	5,000,000
India	3,054,000
European Union	3,000,000
USA	2,747,000
Malaysia	2,075,000
Bangladesh	1,995,000
Algeria	1,945,000
Nigeria	1,820,000
UAE	1,820,000
South Korea	1,785,000
Morocco	1,752,000



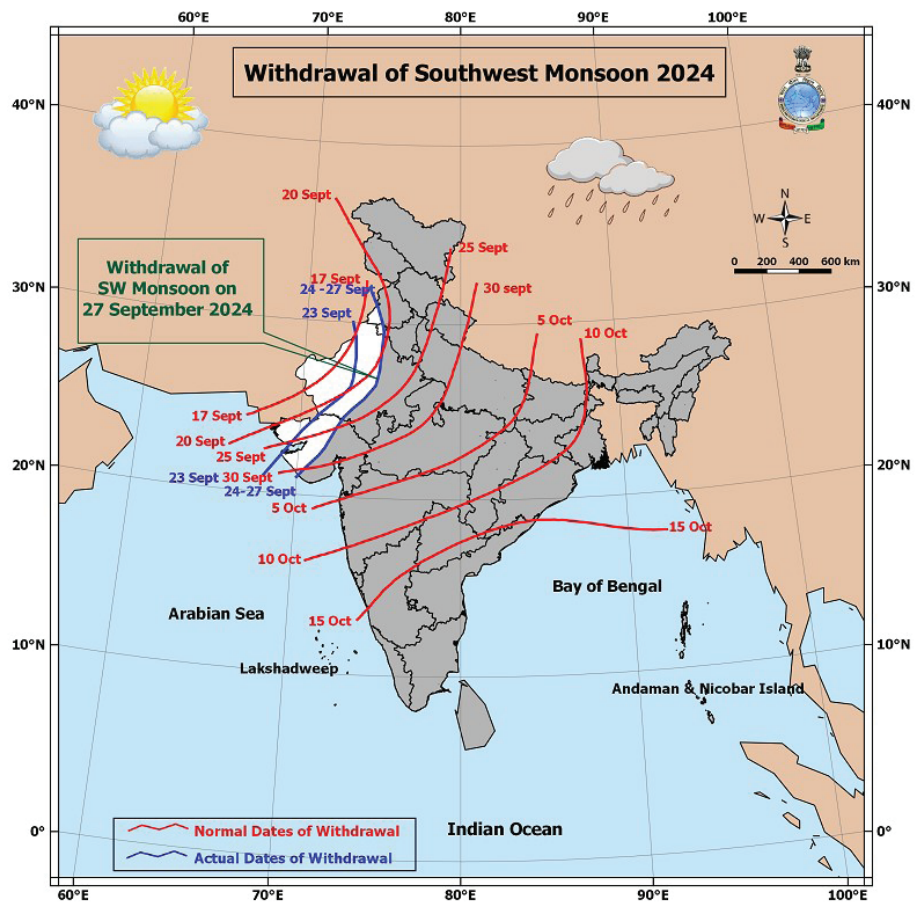
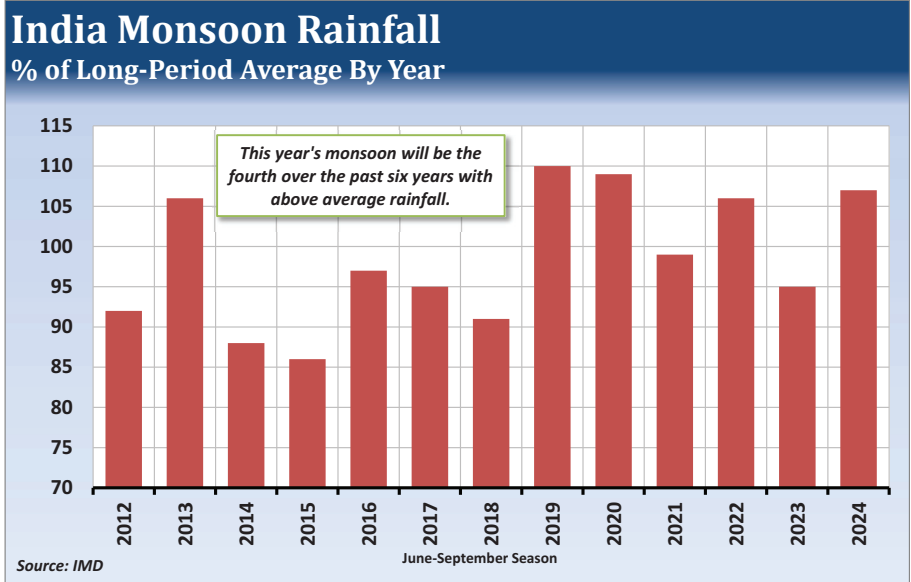
# INDIA'S 2024 ABOVE-AVERAGE MONSOON WILL IMPACT MANY COMMODITIES

India's monsoons typically start withdrawing from their nation in mid-September, but they began withdrawing a week later this year. A late withdrawal will result in heavier-than-normal rainfall over a vast portion of India's growing areas over the next few weeks. A wet ending to this year's monsoon sharply contrasts with India's brutal heatwave from early this year. Still, it will result in significantly different impacts for several of India's major crops.

As of Friday, India's nationwide monsoon rainfall this year was 7% above their 50-year average (long-period), putting it in the "above average" rainfall category. The only regions below their long-period rainfall averages were East and Northeast at 14% below. With the delayed withdrawal this year, the 2024 rainfall totals may continue to climb above the long-period average before Monday's traditional end of the monsoon season.

India's Kharif crops (rice, cotton, soybeans, and corn) are commonly harvested at this time. India is the world's second-largest producer of cotton and the second-largest producer (and largest exporter) of rice. Over the next few weeks, heavier-than-normal rainfall could lead to flooding that will delay harvest and damage their 2024/25 Kharif crops. India's cotton crop may be most vulnerable as their bolls will be open this close to harvest.

On the other hand, this year's heavier-than-normal monsoon should benefit India's Rabi crops, such as wheat, barley, and rapeseed, as they are planted in late October and November. With up to an 18-month growth cycle, 2024's heavier-than-normal monsoon rainfall will benefit a significant portion of India's upcoming sugarcane production. Even as more of their crushing shifts to ethanol production, more sugarcane will result in additional sugar production, and that could lead to India lifting its sugar export ban next year.





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## COMMITMENTS OF TRADERS

Data As of September 24, 2024  
Non-Commercial & Non-Reportable  
Combined Futures & Options

Market	Net Position	Net Change	4-Wk Net Change	52-Wk Ranking
Grains				
CBOT Grains	-248,244	40,950	111,481	37
Corn	-116,657	-3,507	24,809	45
KC Wheat	-11,062	-958	10,195	51
Minn Wheat	-13,242	987	11,497	44
Rice	1,185	1,207	2,120	13
Soybeans	-109,633	42,948	69,421	31
Soyoil	18,379	32,963	31,896	46
Soymeal	84,360	25,056	35,679	33
Wheat	-21,954	1,509	17,251	51
Livestock				
Cattle	44,501	6,091	5,274	15
Feeder Cattle	-5,915	2,484	2,231	17
Hogs	51,454	14,032	18,529	39
Metals				
Copper	41,725	14,032	20,693	35
Gold	337,526	4,612	29,111	52
Platinum	30,477	3,707	22,108	46
Silver	81,431	5,785	20,933	52
Softs				
Cocoa	36,177	3,102	5,424	28
Coffee	70,060	-489	3,946	42
Cotton	-8,941	11,189	26,030	16
Lumber	#N/A	#N/A	#N/A	#N/A
Milk	4,051	193	2,341	52
OJ	5,220	-217	-9	42
Sugar	147,898	75,132	82,689	42
Currencies				
Canadian	-60,891	8,799	1,449	29
Dollar	-906	-817	-18,811	1
Euro	128,152	-1,258	-31,072	38
Energies				
Crude Oil	209,236	10,199	-30,131	3
Gas (RBOB)	30,193	17,118	14,206	9
Heating Oil	-14,515	1,181	-26,460	2
Natural Gas	-81,813	-5,998	3,319	26
Financials				
Bonds	-35,985	-51,637	-123,850	22
E-Mini S&P	35,989	94,997	15,374	39
Dow Jones \$5	18,847	2,871	11,655	39
T-Notes	-899,785	-10,052	-75,476	1
	Extreme			Ranking 1 = Shortest Short
	5% of Extreme			52 = Longest Long