



June 28, 2024

THIS ISSUE

Near Term:

Bullish: Copper
Bonds
Gold
Corn
British Pound
Canadian Dollar

Bearish: Soybeans

Other:

Rising Jet Fuel Stocks A Sign of Stronger Demand?

MAJOR ECONOMIC EVENTS

July 1

- ISM Manufacturing Index
- Construction Spending

July 2

- Euro Zone CPI
- JOLTS Survey

July 3 - Factory Orders

- ADP Employment Survey
- International Trade Balance
- Jobless Claims
- ISM Services Index

July 4

- Independence Day Holiday
- UK Parliamentary Election

July 5

- Employment Situation
- Canadian Unemployment

Economic Focus

The global economy is losing momentum, which has revived hopes of cuts in global interest rates. Unfortunately, for physical commodity markets, the economic news from China has not improved after a spurt of optimism in late May and early June. Furthermore, the US presidential election is likely to remain tenuous, with questions surrounding the president's health and his ability to continue as a candidate. Consequently, the copper market has come under heavy pressure, with supply and demand favoring the bear camp. Therefore, copper price action confirms fears of softening industrial activity. This, combined with incremental softening of several US and European inflation readings, has increased chatter of a European rate cut and

revitalized hopes of a US rate cut in the September Federal Reserve meeting. The CME Fed watch tool has a 61% chance rate cut from the September FOMC meeting. Given the shift toward less hawkish central bank expectations, financial markets like bonds, notes, equities, gold, and silver have turned into a bullish track.

Grain prices remain under pressure from the prospect of strong US production. However, the bear camp should be cautious, with pockets of supply concern from reductions in South American production, Black Sea issues, and US flooding and weather concerns.

-David Hightower

OUR OPINION... MARKET BY MARKET

Market		*
Stocks	Political headwind mostly offset by soft inflation hope.	L
Bonds	Sept rate cut prospects gradually increasing.	L
Dollar	Euro rate cut more likely than a US cut.	L
Euro	Euro rate cut more likely than a US cut.	S
Gold	Slight increase in lower rate prospects is bullish.	L
Silver	Asian buying interest & lower rate ideas are bullish.	L
Copper	Rising LME stocks for 19 straight days is bearish.	S
Crude	Overbought with bearish US weekly inventories.	S
Gasoline	Despite disappointing demand, tech bias is up???	L
Nat Gas	Bearish charts, but narrowing of long time surplus.	S
Soybeans	Technicals & weather are bearish.	S
Corn	Oversold, but weather remains bearish.	S
Wheat	Extreme oversold, recent drop is overdone.	L
Hogs	Bottoming action, but no bullish signal just yet.	N
L Cattle	Strong week points to further upside.	L
Sugar	Brazil C-S output likely to finish below last season.	L
Coffee	Brazilian new-crop supply continues to pressure.	S
Cocoa	Wet West African weather should improve output.	S
Cotton	Weaker US exports may pressure market.	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.

Dr. Copper is Signaling a Downturn
Copper - September 2024

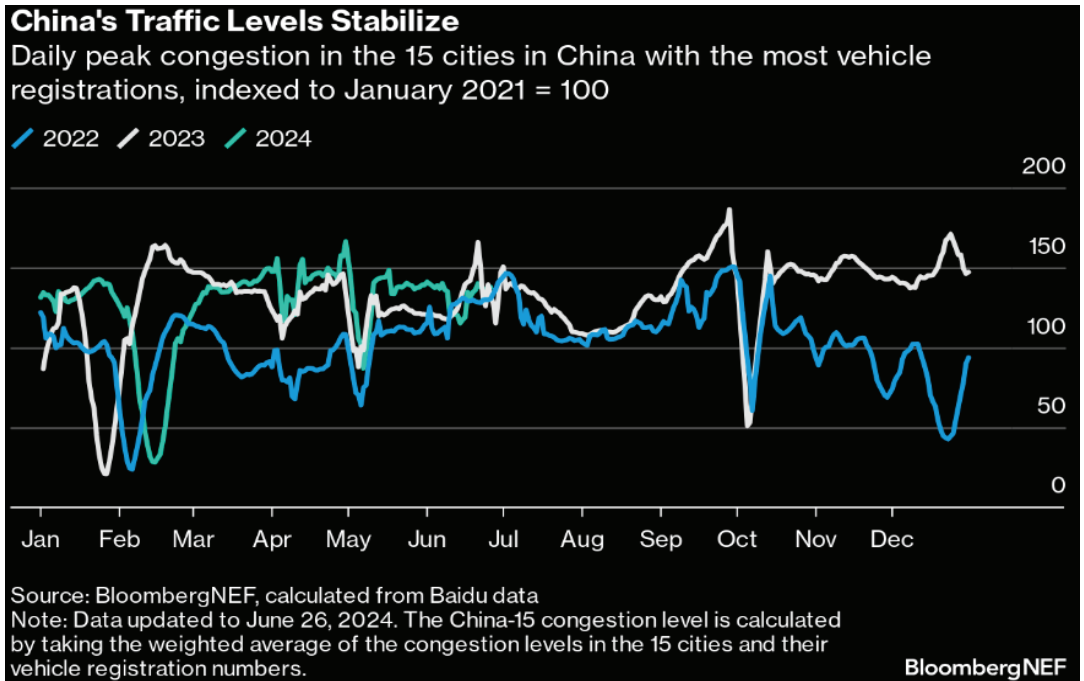


SHORT TERM TRADES!

We expect copper prices to continue to fall in the near term as an overextended net spec and fund long is liquidated and eventually find value near \$4.25.

China's traffic congestion levels in 15 major cities have settled back into levels seen in each of the two previous years, which were, obviously, disappointing economic activity years! In addition to disappointment over the lack of noted progress in the Chinese economy, LME copper warehouse stocks have increased in 19 straight sessions, creating bearish supply and demand conditions.

Fortunately for the bull camp, Shanghai copper warehouse stocks have declined recently but remain at burdensome levels. However, officials at large copper miners and analysts remain bullish toward copper long-term, expecting the world refined copper market to end this year with a deficit. Unfortunately for the bull camp, near-term fundamental pressure and further technical liquidation are in order with downtrend channel selling resistance at \$4.44 and the beginning of the buy



zone at \$4.28. Given the generally expensive cost of copper options, traders should utilize bull call spreads to "pick a bottom."

The slight pivot toward rate-cut prospects is likely underway and could gain momentum ahead. Therefore, we expect markets like

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TRADERS TOOLBOX

OVERVALUED/UNDERVALUED		
Fundamental	Technical	COT
OVERVALUED		
Crude Oil	Cattle	Coffee
Sugar	Sugar	Crude Oil
Cotton	Crude Oil	Soybean Meal
UNDERVALUED		
Dollar Index	Silver	Canadian Dollar
S&P	Hogs	Palladium
Bonds	Copper	Canola

OPTIONS SCAN	
Undervalued	
Buy Sept Bond 121.00 call @ 1-05	
Buy Sept S&P 5675/5825 bull call @ 33.00	
Buy Sept Silver \$32.00/\$36.00 bull call @ 0.34	
Overvalued	
Sell Sept Bond 114.00 put @ 0-50*	
Sell Aug Silver \$27.50 put on a break @ 0.21*	
Sell Sept Sugar 21.00 call @ 0.78*	
Trend Reversals	
Buy Sept Bond 122.00 call @ 0-30	
Buy Aug Cattle 187.00 put @ 2.50	
Buy Aug Gold \$2,360 cal @ 20.00	
Only use these strategies during periods of high liquidity.	
* When selling options, only risk to double the premium received.	

SHORT TERM TRADES!

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bonds, gold, silver, and equities to see gains ahead. In fact, the bond market was significantly short-term oversold from a three-day correction of two points. Combined with signs of slowing and softer inflation, we see September bonds extending the recent bounce off the lows, with prices reaching the highest level since late March! While evidence of softening inflation has not been definitive, US economic activity data has slowed, and US initial claims broke out to the upside in June. The ability to lower inflation is heavily predicated on slowing activity, suggesting that more incremental declines in inflation measures will be seen. Uptrend channel buying support in September bonds is 118-25, with initial targeting seen at 122-09

Market reactions in gold and silver recently highlight a primary focus on the prospect of lower interest rates with action in the dollar demoted to a backseat position. However, slowing economic activity and incremental declines in inflation increase the solidity of consolidation support in August gold, just above \$2300, and at \$29.00 in September silver. Furthermore, we see US political uncertainty fostering flight to quality interest in gold and silver. Also, the silver market is likely to continue to see arbitrage buying interest from China. Furthermore, global speculative investment interest in silver appears to be reviving, with silver ETF holdings bouncing 25 million ounces in June. In fact, in early June, global weekly silver ETF holdings were the lowest since June 2020! Unfortunately for the bull camp, both gold and silver hold significantly overbought net spec and fund long positions. Suggesting that fresh long positions should only be entered with prices right on or slightly below consolidation support levels. In fact, given the potential for volatility and a near-term overbought condition, traders should also utilize bull call spread strategies.

Suggested Trading Strategies

- 1) **BUY** September copper \$4.45/\$4.60 bull call spread at 0.039 with an objective of 0.125. Risk the spread to a price of 0.018.
- 2) **BUY** Sept bonds at 118-09 with an objective of 121-14. Risk the position to 117-08.
- 3) **BUY** September Gold \$2,370/\$2,450 bull call spread at \$18.00 with an objective \$43.00. Risk the position to \$8.00.

LME Copper Warehouse Stocks Tonnes



Source: LME/Bloomberg

Silver ETF Holdings Million Ounces - Weekly



Source: Reuters

POST-USDA UPDATE

Soybeans

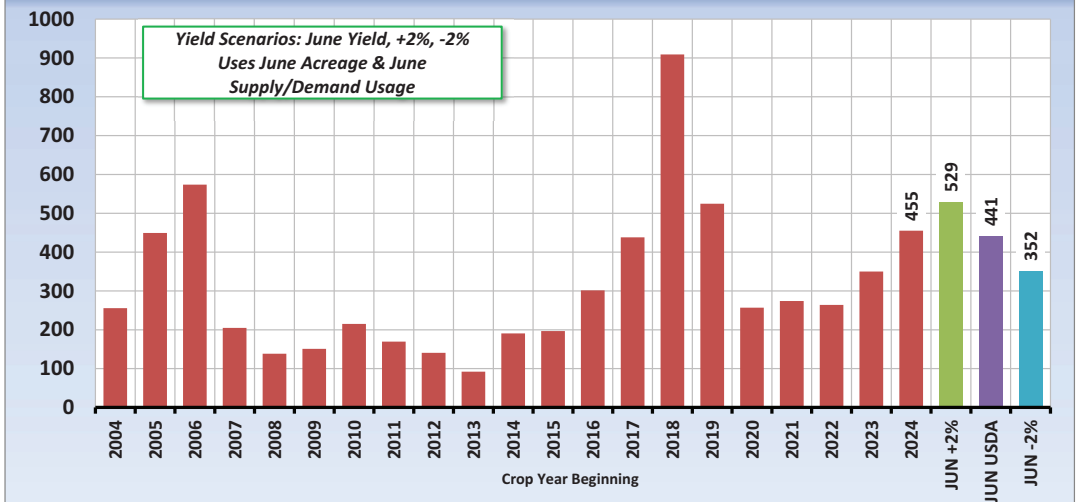
Weather and anticipation of Friday's USDA Quarterly Grain Stocks and Acreage reports dominated trade last week. The June 1 Acreage report showed soybean acreage at 86.1 million acres versus an average expectation of 86.7 million acres. The June acreage numbers have been below the average guess for the last nine years, and that trend continued again in this report. Final acreage may be cut again with the flooding and drowned-out spots across the Midwest yet to be fully assessed. Iowa bean acres fell 3% from March Intentions, and Illinois increased 1.9%.

US soybean stocks on June 1 totaled 970 million bushels versus 963 million expected and up from 796 million on June 1, 2023. June 1 stocks are close enough to the estimates to be considered neutral. The bottom line is the report did not significantly change the current bearish bean fundamentals. The US 2024/25 supply and demand table still shows adequate ending stocks of 352 million bushels even if yields fall 2%, or 1 bushel

USDA SUPPLY/DEMAND US SOYBEANS								2024/25 Scenarios		
	18-19	19-20	20-21	21-22	Jun	Jun	Jun	June 28 Acreage & June S&D		
					USDA	USDA	USDA	Yield -2%	June Yield	June +2%
Planted Area (M Acres)	89.2	76.1	83.4	87.2	87.5	83.6	86.5	86.1	86.1	86.1
Harvested Area (Acres)	87.6	74.9	82.6	86.3	86.2	82.4	85.6	85.3	85.3	85.3
Yield (Bu/Acre)	50.6	47.4	51.0	51.7	49.6	50.6	52.0	51.0	52.0	53.0
Beginning Stocks (M Bu)	438	909	525	257	274	264	350	350	350	350
Production	4,428	3,552	4,216	4,464	4,270	4,165	4,450	4,347	4,436	4,524
Imports	14	15	20	16	25	25	15	15	15	15
Supply, Total	4,880	4,476	4,761	4,737	4,569	4,454	4,815	4,712	4,801	4,889
Crushings	2,092	2,165	2,141	2,204	2,212	2,290	2,425	2,425	2,425	2,425
Exports	1,753	1,683	2,266	2,152	1,992	1,700	1,825	1,825	1,825	1,825
Seed	88	97	101	102	75	77	78	78	78	78
Residual	39	11	-4	5	27	37	32	32	32	32
Use, Total	3,971	3,952	4,504	4,463	4,305	4,104	4,360	4,360	4,360	4,360
Ending Stocks	909	525	257	274	264	350	455	352	441	529
Stocks/Use Ratio	22.9%	13.3%	5.7%	6.1%	6.1%	8.5%	10.4%	8.1%	10.1%	12.1%

US Soybean Ending Stocks

Million Bushels



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POST-USDA UPDATE

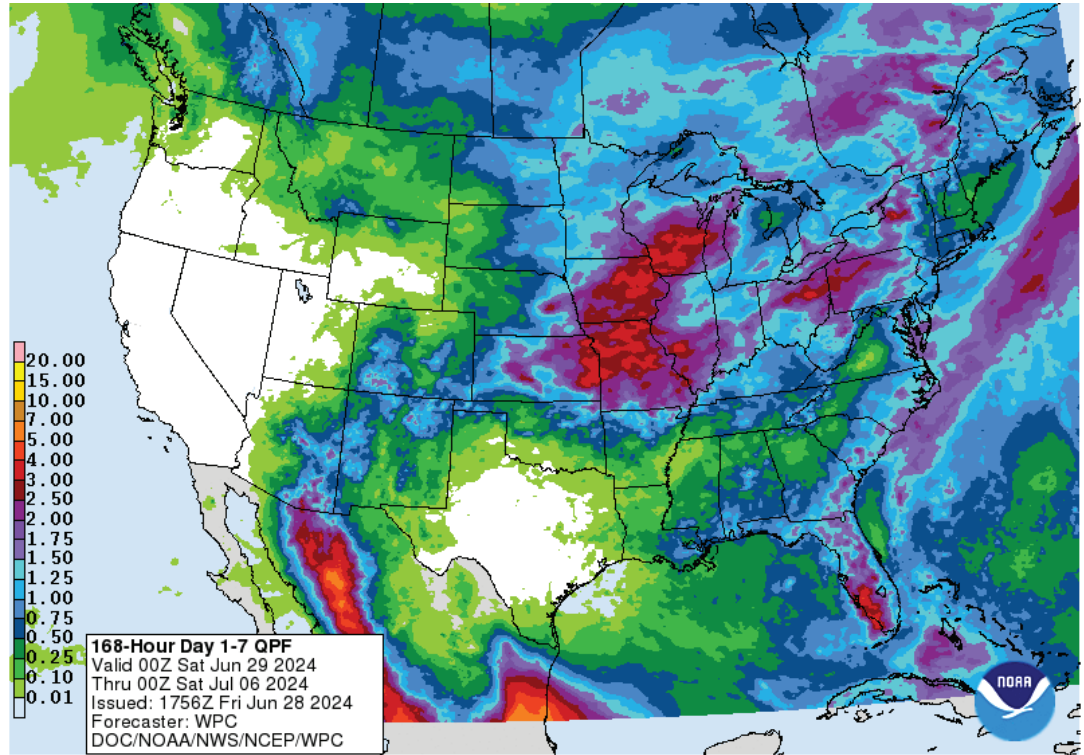
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per acre, from USDA's current 52 bushels per acre number.

The soybean market will quickly digest this USDA data. Weather will be the dominant focus as an active precipitation pattern is expected across most of the Midwest, limiting overall crop stress. We hear Argentina's oilseed workers strike may not last beyond this week. A sustained rally is not expected, but prices could easily see some short covering, which may set up the next selling opportunity.

Suggested Trading Strategy

SELL November Futures on a rally to 1132. Risk 14 cents on the trade. Use an objective of 1091.



Corn

Corn prices had a very tough week and have closed down 9 of the last 10 sessions. The June Quarterly Stocks and Acreage reports were a bearish double whammy. Corn acreage came in at 91.5 million acres versus an average expectation of 90.3 million. The March Planting Intentions report had corn acreage at 90 million. June acreage had been above the average guess in six of the last ten years and now 7 of the previous 11. With the planting pace finishing faster than usual, farmers were apparently able to get in all their acres.

USDA SUPPLY/DEMAND US CORN								2024/25 Scenarios		
	18-19	19-20	20-21	21-22	Jun USDA 22-23	Jun USDA 23-24	Jun USDA 24-25	June 28 Acreage & June S&D		
								Yield -2%	June Yield	June +2%
Planted Area (M Acres)	88.9	89.7	90.7	92.9	88.2	94.6	90.0	91.5	91.5	91.5
Harvested Area (Acres)	81.2	81.0	82.2	85.0	78.7	86.5	82.1	83.4	83.4	83.4
Yield (Bu/Acre)	176.4	167.5	171.4	176.7	173.4	177.3	181.0	177.4	181.0	184.6
Beginning Stocks (M Bu)	2,140	2,237	2,004	1,235	1,377	1,360	2,022	2,022	2,022	2,022
Production	14,322	13,568	14,087	15,018	13,651	15,342	14,860	14,793	15,095	15,397
Imports	28	42	24	24	39	25	25	25	25	25
Supply, Total	16,490	15,847	16,115	16,277	15,066	16,727	16,907	16,840	17,142	17,444
Feed & Residual	5,392	5,778	5,667	5,671	5,486	5,700	5,750	5,750	5,750	5,750
Food, Seed & Industry	6,792	6,286	6,466	6,757	6,558	6,855	6,855	6,855	6,855	6,855
Ethanol for Fuel	5,378	4,857	5,028	5,320	5,176	5,450	5,450	5,450	5,450	5,450
Domestic Total	12,185	12,064	12,134	12,427	12,045	12,555	12,605	12,605	12,605	12,605
Total Exports	2,068	1,778	2,747	2,472	1,661	2,150	2,200	2,200	2,200	2,200
Use, Total	14,253	13,843	14,881	14,900	13,706	14,705	14,805	14,805	14,805	14,805
Ending Stocks	2,237	2,004	1,235	1,377	1,360	2,022	2,102	2,035	2,337	2,639
Stocks/Use Ratio	15.7%	14.5%	8.3%	9.2%	9.9%	13.8%	14.2%	13.7%	15.8%	17.8%

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POST-USDA UPDATE

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US corn stocks were also bearish at 4.993 billion bushels versus 4.874 billion expected, up from 4.103 billion on June 1, 2023, and the highest in 4 years. The post-report reaction has been very bearish, and December corn fell more than \$0.20 on the day. After the nearly \$0.50 break during the ten days before the report, the weak post-report action may encourage weak longs to finally give up, resulting in capitulation and potentially a bounce in the coming days.

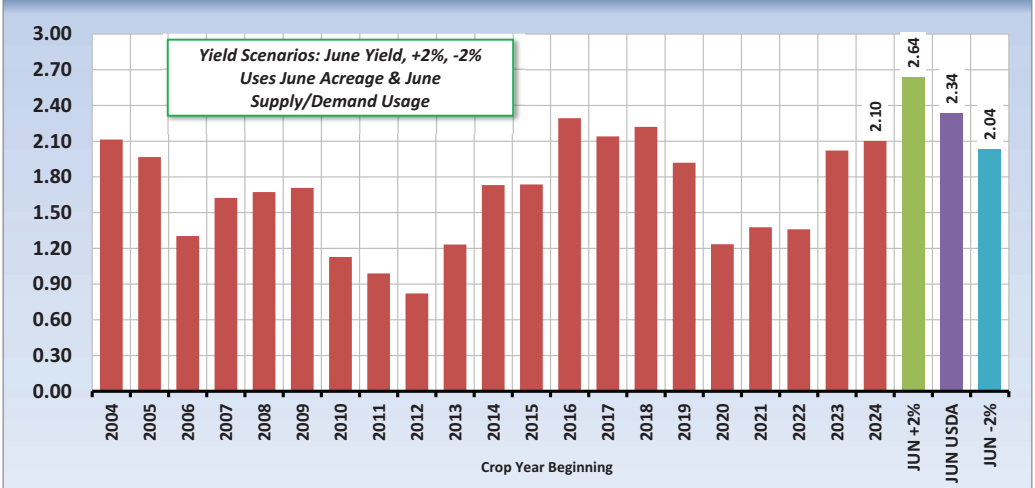
We expect nearly half of US corn will be pollinating by mid-July. Favorable US Midwest weather will limit rallies in the coming days, but a retracement rally is certainly due. Black Sea stress will rise next week with a drier pattern and warmer temperatures and will likely offer some support after the recent break. We look for a rebound in the coming days after the current long liquidation runs its course. We prefer to position on the long side for a rebound.

Suggested Trading Strategies

- 1) **BUY** December Corn on a break to 409. Risk 12 cents. Use an objective of 438.
- 2) **Bull Call Spread**: **BUY** 1 August Short-Dated 420 call and **SELL** 1 August Short-Dated 450 call at a cost of 9 cents or better. Risk the entire 9 cent premium and take profits if December Futures touch 448.

US Corn Ending Stocks

Billion Bushels

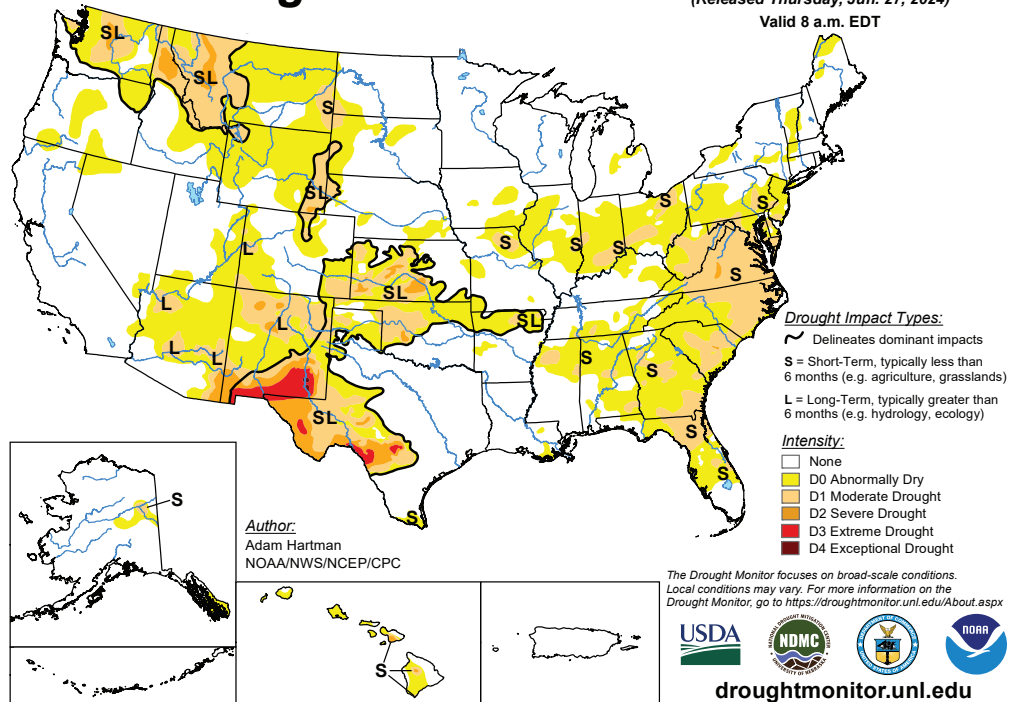


U.S. Drought Monitor

June 25, 2024

(Released Thursday, Jun. 27, 2024)

Valid 8 a.m. EDT



US FED RATE CUTS SHOULD UNDERPIN BRITISH POUND AND CANADIAN DOLLAR

The US Dollar has outperformed most major currencies during June in no small part to an “on hold” Fed. However, the CME’s Fed Watch tool shows a 61% chance of a 25-basis point rate cut at the September FOMC meeting, which increases to a 94% chance that the Fed Funds rate will be below current levels by the end of this year. This suggests the Dollar could weaken during the third quarter and may set up buying opportunities in several major currencies.

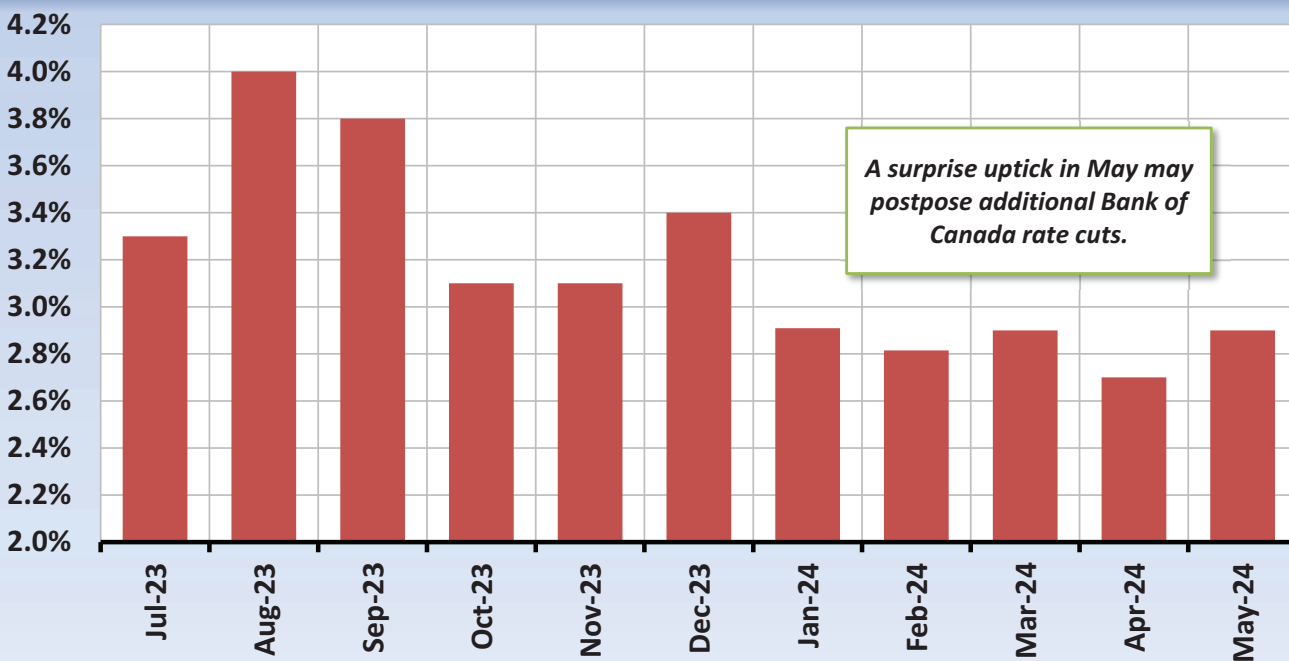
The latest opinion polls point to a majority win for the Labour Party in next Thursday’s UK Parliamentary elections, which should reduce uncertainty in the market. Expectations are for The Bank of England to cut UK rates at their August policy meeting, but they may hold back on further cuts if UK inflation remains stubbornly high. As a result, a post-election pullback in the British pound may be followed by a longer-term upside move to a 2024 high by the end of the third quarter.

The Canadian Dollar saw wide-sweeping price action during the second quarter under pressure from the Bank of Canada’s June rate cut. While it has fallen well below last year’s levels, this week’s reading for year-over-year May Canadian CPI had a surprise uptick, pushing the next Bank of Canada rate cut into September or later this year. This could fuel a third quarter rebound in the Canadian Dollar that can gain additional upside momentum when it breaks out above the May highs.

Suggested Trading Strategies

- 1) **BUY** a September British Pound 126.00/129.00 bull call spread at 0.84 with an objective of 2.60. Risk the option strategy to 0.20.
- 2) **BUY** a September Canadian Dollar 73.50/75.50 bull call spread at 0.35 with an objective of 1.60. Risk the entire spread premium on the strategy.

Canadian Consumer Price Index Monthly Year-over-Year % Rate



Source: Statistics Canada

RISING JET FUEL STOCKS PROJECTING STRONGER THIRD QUARTER DEMAND

This year's buildup of US jet fuel stocks could be an early sign of higher air travel demand during the third quarter, which could underpin distillate prices over the rest of the year.

US kerosene-type jet fuel stocks tend to reach yearly highs between June and October. However, this week's US jet fuel stocks of 43.878 million barrels is 2.9 million above last year's reading for the third week of June and 3.2 million above the same week in 2022. This is also the highest stock level since August 2021. Since 2000, US jet fuel stocks have seen a low of 33.904 million barrels in January 2023 and a high of 48.708 million in July 2010.

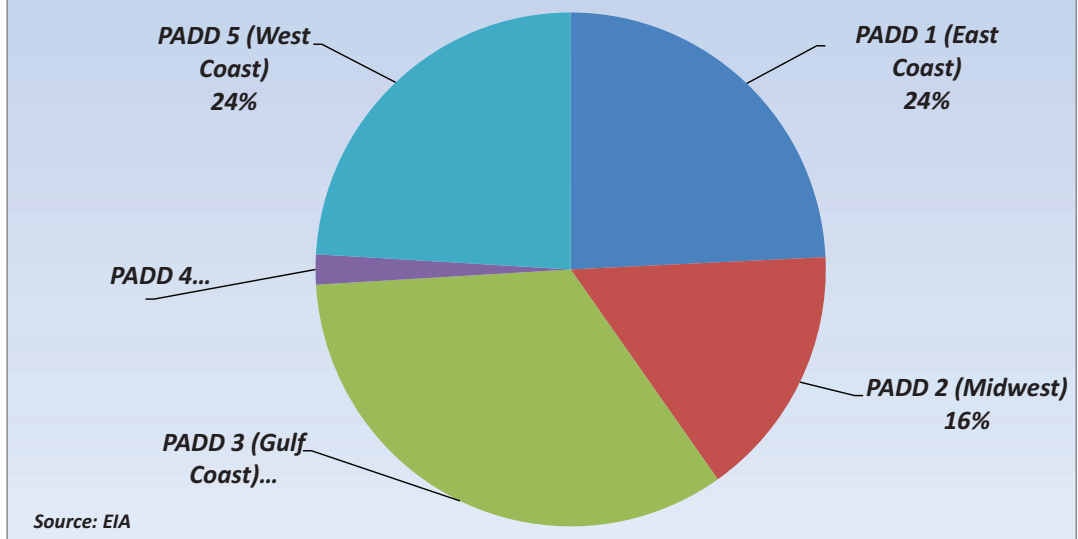
Jet fuel implied demand seasonally increases starting in early July and early January. This year, the highest weekly implied jet fuel demand reading is 1.850 million barrels per day during the week ending May 24th. However, implied demand remains below the pre-COVID highs in 2018 (2.006 million barrels per day) and 2019 (2.088 million barrels per day).

With increasing stocks heading into the start of a seasonal increase in jet fuel production, the industry seems to be anticipating elevated demand over the coming months. ULSD is generally used as a proxy for distillates, including kerosene jet fuel.

U.S. Kerosene-type Jet Fuel Stocks Weekly/Million Barrels



U.S. Kerosene-type Jet Fuel Stocks Week of June 21st By % Share



Long Term Trades

UPDATES TO PRIOR LONGER-TERM TRADE STRATEGIES

Original Trade Date	Trade	Action
Natural Gas 5/24/24	Long an August Natural Gas \$2.90/\$3.40 bull call spread at 0.141.	HIT PROTECTIVE STOP at 0.064 for a loss of 0.077 on the strategy. Position is closed.

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TOP 12 SOYBEAN PLANTED AREA 2024

Friday's USDA Acreage report said that US soybean planted area this year will be **86.1 million acres** which compares to **83.6 million** planted in 2023.

Courtesy of the USDA, these are the 12 states with the largest soybean planted area this year (in acres):

Illinois	10,700,000
Iowa	9,900,000
Minnesota	7,600,000
North Dakota	6,800,000
Indiana	5,750,000
Missouri	5,600,000
Nebraska	5,300,000
South Dakota	5,100,000
Ohio	4,850,000
Kansas	4,550,000
Arkansas	3,050,000
Michigan	2,250,000





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COMMITMENTS OF TRADERS

Data As of June 25, 2024
Non-Commercial & Non-Reportable
Combined Futures & Options

Market	Net Position	Net Change	4-Wk Net Change	52-Wk Ranking
Grains				
CBOT Grains	-439,750	-109,457	-124,813	11
Corn	-239,000	-80,704	-45,495	10
KC Wheat	-39,993	-10,828	-25,116	3
Minn Wheat	-15,960	-9,878	-23,629	31
Rice	1,932	223	-414	6
Soybeans	-147,429	-22,108	-55,485	15
Soyoil	-83,273	-28,654	-44,010	1
Soymeal	102,956	-17,160	-16,722	28
Wheat	-53,321	-6,645	-23,833	24
Livestock				
Cattle	60,804	-4,929	-2,105	23
Feeder Cattle	-7,746	-2,025	-2,484	1
Hogs	2,681	-14,477	-27,736	10
Metals				
Copper	57,809	-3,790	-13,545	42
Gold	273,079	-2,302	-486	48
Platinum	28,723	4,292	-1,358	44
Silver	75,956	1,788	-1,559	47
Softs				
Cocoa	25,165	-4,214	-1,756	6
Coffee	72,990	4,847	1,585	47
Cotton	-21,150	4,786	-15,499	2
Lumber	#N/A	#N/A	#N/A	#N/A
Milk	-2,283	-75	628	49
OJ	5,182	240	-1,181	46
Sugar	36,563	32,358	70,034	11
Currencies				
Canadian	-127,422	32,293	-26,447	3
Dollar	19,360	-157	13,186	41
Euro	11,718	-16,152	-86,412	3
Energies				
Crude Oil	318,343	30,520	45,950	35
Gas (RBOB)	48,725	9,808	-1,581	6
Heating Oil	26,035	-2,125	8,666	9
Natural Gas	-76,421	14,964	9,671	32
Financials				
Bonds	27,447	-1,382	-12,698	42
E-Mini S&P	47,828	57,155	23,435	45
Dow Jones \$5	1,379	-2,087	-8,942	22
T-Notes	-300,792	-21,718	87,527	49
	Extreme	Ranking 1 = Shortest Short		
	5% of Extreme	52 = Longest Long		