

# LAKEFRONT

## FUTURES

March 7, 2025

### THIS ISSUE

#### Near Term:

Bullish: Soybean Oil  
Bonds  
Cotton

Bearish: Soybeans

#### Long Term:

Bearish: Bonds

#### Other:

Record Trade Deficits May Be Temporary.

### MAJOR ECONOMIC EVENTS

#### March 10

- Chinese CPI/PPI

#### March 11

- JOLTS Survey

#### March 12

- Consumer Price Index  
- BOC Meeting

#### March 13

- Producer Price Index  
- Jobless Claims

#### March 14

- Consumer Sentiment

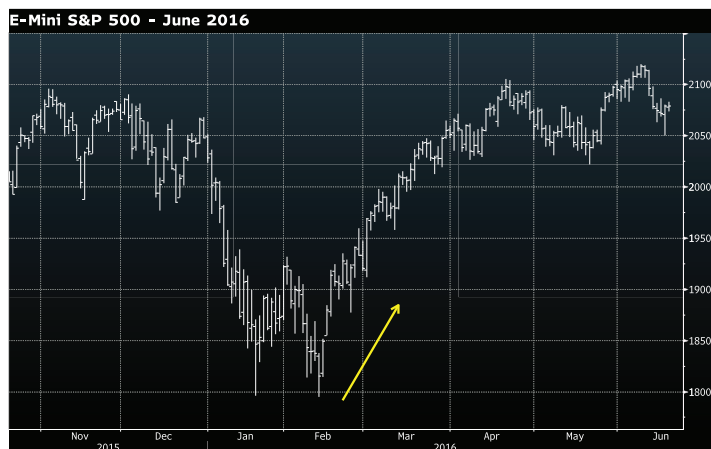
## Economic Focus

While economic and geopolitical uncertainty will likely expand directly ahead, the current flareup may be close to its zenith. Looking back to the first Trump term and the last significant wave of US tariffs on foreign goods, the markets have displayed very similar action as was seen during early 2017. Seeing the markets behave similarly to the first Trump Administration is not surprising, considering his policy initiatives in 2017 are nearly the same as they were at the start of his second term. During his first term, President Trump expanded the border wall, signed the Tax Cuts and Jobs Act, withdrew from climate and trade agreements, and started a trade war! However, equities started a longer-term uptrend while treasuries stayed well below their 2016 highs during the first quarter of 2017, signaling an end to trade war anxiety and a shift toward economic optimism.

The involvement of drug interdiction has added difficulty to trade negotiations with Mexico, Canada, and China, which is why the second Trump tariff wave has extended into March (back in 2017, equities posted their yearly low in March). Furthermore, the economy is facing headwinds this time from

a “potential” sustained reduction in US government jobs. In the meantime, to avoid stagflation, a recession, and perhaps a US constitutional crisis will likely require some trade agreements and the reemergence of positive “animal spirits.” In fact, during the first week of March, despite the massive jump in uncertainty from implementing tariffs and retaliation, the gold market corrected and seems to have settled into a sideways

consolidation. From the agricultural front, the grain markets appear to have found a value zone, with the President considering exempting corn and fertilizer from trade restrictions. Furthermore, the US dollar has plummeted, potentially offsetting a significant portion of tariff costs on foreign purchases of US corn, and weather concerns have returned to South American grain production in Brazil.



### OVERVALUED/UNDERVALUED

Fundamental	Technical	COT
<b>OVERVALUED</b>		
Copper	Silver	Canola
Cattle	Natural Gas	Gold
Natural Gas	Copper	Coffee
<b>UNDERVALUED</b>		
Corn	Crude Oil	Cotton
Wheat	Dollar Index	Chicago Wheat
Soybeans	S&P	Soybean Meal

## OUR OPINION... MARKET BY MARKET

Market		*
<b>Stocks</b>	Slowing without rate cut hope & with tariff anxiety.	S
<b>Bonds</b>	Slowing, uncertainty & safe haven flow from stocks.	L
<b>Dollar</b>	World vs. the US; many tariffs against a few.	S
<b>Euro</b>	Winning by default & decent EU economic data.	L
<b>Gold</b>	A loss of bullish action suggests a top may be in.	L
<b>Silver</b>	Overbought, with less lift flowing from gold.	S
<b>Copper</b>	Global supply flows uncertain, but demand is soft	S
<b>Crude</b>	Oversold, but OPEC+ supply increase limits rally.	L
<b>Gasoline</b>	Oversold w/rising refinery activity @ a seasonal low.	L
<b>Nat Gas</b>	Very overbought; shoulder season demand is soft.	S
<b>Soybeans</b>	China tariffs raise concerns for WASDE US export cut	S
<b>Corn</b>	Tariff delay and strong exports supportive	L
<b>Wheat</b>	Weather concerns linger, lower US\$ supportive	L
<b>Hogs</b>	Mexico largest US pork buyer, tariff delay supportive	L
<b>L Cattle</b>	Strong tech action this week bullish	L
<b>Sugar</b>	Brazil & India production issues will support.	L
<b>Coffee</b>	This week's pullback early sign longer-term top is in.	S
<b>Cocoa</b>	Found near-term low after first quarter pullback.	L
<b>Cotton</b>	Dollar downdraft should improve US export outlook.	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 May Dollar Index 103.00/105.50 bull call @ 1.90**

**Buy May Corn 465/495 bull call @ 9**

**Buy May Wheat 560/595 bull call @ 9 1/2**

### Overvalued

**Sell Apr Silver \$35.00 call @ \$0.33\***

**Sell Apr Natural Gas \$4.60 call @ 0.150\***

**Sell May Cocoa 7,550 put @ 240\***

### Trend Reversals

**Buy May Hog 91.00/96.00 bull call @ 1.40**

**Buy May British Pound 1.29/1.26 bear put @ 0.0092**

**Buy June Nasdaq 22500/23500 bull call @ 85.00**

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
RBOB 2/7/25	Long April RBOB \$2.18/\$2.12 bear put spread at \$0.0105	TAKE PROFITS on strategy at the market.
Bonds 3/7/25	SELL June Bonds at 119-02.	Use an an objective of 114-30, and risk the trade to 120-19.

*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.*

# TITLE: BONDS: MOVE UP BEFORE A TOP

We see an extension of economic and geopolitical uncertainty, with the potential for a significant pivot in sentiment when and if the US settles its trade issues with one or more countries. However, US economic data (particularly jobs-related) are weakening primarily because of US government layoffs, the declining chances of a rate cut (inflation remains stubborn), and obviously because of the unfolding trade war. We should note that the most recent Challenger job cuts report posted the largest layoff tally since the COVID crisis! Furthermore, the March downdraft in the US dollar has made US Treasury instruments attractive to foreign investors again. Therefore, we see Treasury Bonds in a bullish fundamental posture with a possible blowoff top rally reaching above the high in the June Bond contract near 120-00! We base our prediction of a blowoff top on the potential for trade anxiety to peak as trading partners threaten hardline action to shift ultimate agreements in their favor.

Adding to the potential for a blowoff top in Bonds is a highly overbought spec and fund-long position. With the net spec and fund long recently (the February 11th COT report) at 134,000 contracts, speculative positioning is likely to post a record net long, especially if the market ranges sharply higher from current levels. The record net spec and fund in June 1998 was 138,850 contracts, but the major top in Treasuries did not occur until October! That top resulted from a shift from a US government annual deficit into a surplus and the mid-September US Federal Reserve rate cuts. Other issues leading to a 1998 peak in Treasuries were robust US exports (which ultimately increased by nearly 11% in 1998), declining inflation, and significant investment in business equipment. In conclusion, the bull camp should remain in control of Treasuries with slowing and trade fears poised to reach a zenith in the coming weeks.

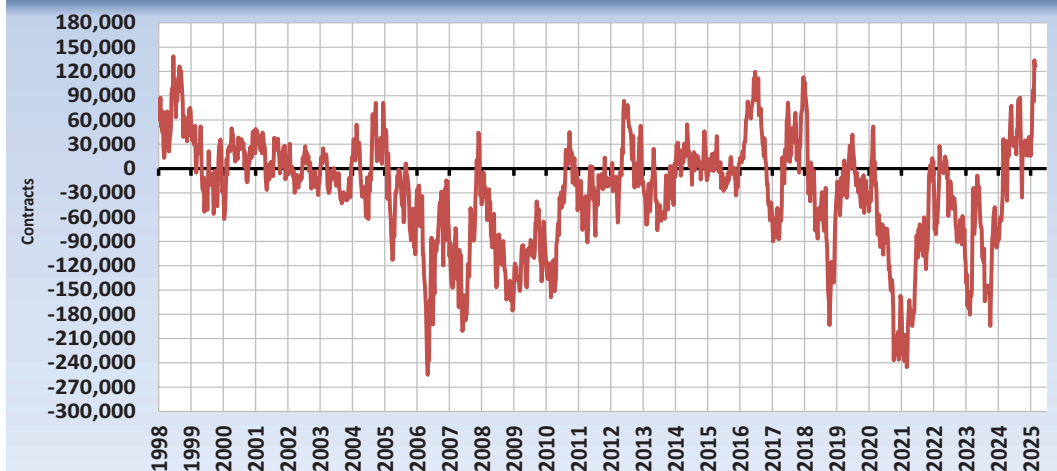
## Short Term Trading Strategy

**BUY** June Bonds at 116-09 with an objective of 119-10. Risk the position to 115-10.

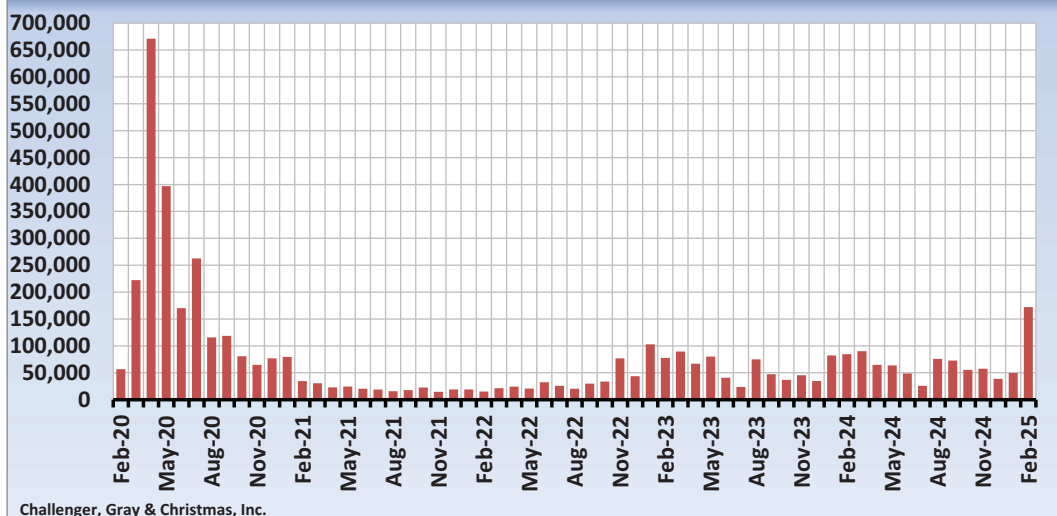
## Long-Term Trading Strategy

**SELL** June Bonds at 119-02 with an objective of 114-30. Risk the trade to 120-19.

**US Bonds - Non-Commercial & Non-Reportable  
COT - Futures & Options - Net Position**



**Challenger US Job Cut Announcements  
Number of Jobs - Monthly**



# SOYOIL SET TO REBOUND: OVERSOLD PRICES, STRONG EXPORTS SIGNAL TURNAROUND

US soyoil prices have recently faced pressure from unclear biofuel policies and tariff uncertainties under the new Administration. Yet, with the US crushing industry nearing spring maintenance downtime, soyoil prices appear oversold, and US exports are far outpacing USDA projections for the marketing year. This week, soyoil futures hit their most oversold technical levels since August 2024, when prices bottomed. These factors suggest a more supportive near-term outlook for soyoil over the next few months.

China's recent retaliatory tariffs on US agricultural goods spared soybean oil, likely due to their preference for importing whole soybeans for domestic crushing. Meanwhile, US imports of Chinese used cooking oil for biofuels have displaced some domestic soyoil demand. However, new US blanket tariffs of 20% on Chinese goods will raise import costs, potentially reducing these inflows and boosting US soyoil use.

Soyoil exports have surged over the past several months, significantly exceeding the five-year average and the USDA's marketing year pace, as shown in the accompanying graph. This export strength will likely force USDA to raise export estimates in upcoming supply and demand reports. Globally, major exporter Indonesia's push for B-40 biodiesel blends could cut palm oil exports by 7%, keeping palm oil at a premium to soyoil and encouraging further exports. Upcoming spring seasonal maintenance downtime in the US may tighten soyoil and meal supplies, while Argentina's "strike season" threatens to disrupt crush rates in that country.

**Bottom line:** The recent drop in US soyoil futures seems overdone, and we favor positioning on the long side.

## Suggested Trading Strategy

**BUY** May Bean Oil futures on a pullback to 43.25. Risk the trade to 41.90. Use an objective at 47.90.

## Option Trading Strategy

**Bull Call Spread:** **BUY** 1 May 44.00/50.00 Bean Oil bull call spread at a net cost of 120 points, or \$720. Risk 95 points on the trade. Take profits if May futures touch 48.45.

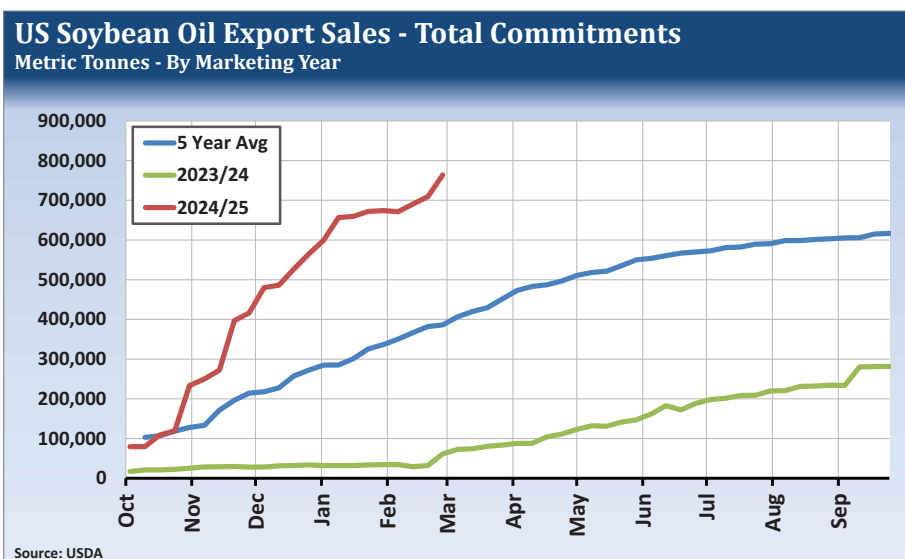


Table 5. Soybean Oil Supply, Demand, and Price, 2022/23-2025/26

	2022/23	2023/24	2024/25 /1	2025/26 /2
Production (mil. lbs.)	26,227	27,130	28,680	29,205
Beginning stocks	1,991	1,607	1,501	1,531
Imports	376	621	550	450
Supply	28,594	29,357	30,731	31,186
Domestic Use	26,609	27,240	27,600	28,000
Biodiesel 3/	12,510	12,989	13,600	14,000
Food, Feed, Other Industrial	14,099	14,251	14,000	14,000
Exports	378	617	1,600	1,675
Total use	26,987	27,856	29,200	29,675
Ending stocks	1,607	1,501	1,531	1,511
Avg. price (cents/lb.) 4/	65.3	47.3	43.0	42.0

1/ Production, imports, use, ending stocks, and average price are projections from the *World Agricultural Supply and Demand Estimates*, February 11, 2025.

2/ Projections based on analysis by the USDA's Oilseeds Interagency Commodity Estimates Committee.

3/ Reflects soybean oil used for biofuel as reported by the U.S. Energy Information Administration.

4/ The average price is for crude soybean oil at Decatur, Illinois.

Note: Totals may not add due to rounding.

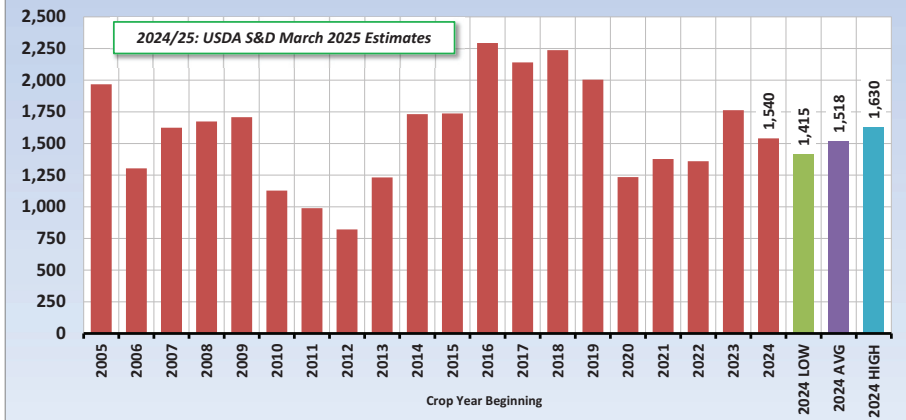
# USDA MARCH SUPPLY AND DEMAND: SOYBEAN EXPORTS FACE TARIFF UNCERTAINTY

The USDA's March 11th Supply & Demand report is rarely a market-shaking event, and pre-report expectations reflect this with only minor adjustments anticipated for wheat, corn, and soybean ending stocks. This year, however, uncertainty looms over demand projections (particularly U.S. soybean exports) due to tariffs. The USDA announced this week that tariffs in effect at the report's release will be factored-into forecasts and are assumed to persist throughout the projection period. This stance raises critical questions about how the agency will adjust US soybean export estimates following China's retaliatory 10% tariff on US soybean imports, enacted this week.

History offers a precedent. During President Trump's first term, 2018 tariffs on China triggered retaliatory duties of up to 25% on US soybeans. The impact was swift and severe: U.S. soybean exports to China plummeted 74%, from 31.7 million tonnes in 2017 to 14.3 million in 2018, the lowest in over a decade. The USDA later calculated a \$27 billion loss in US agricultural exports from mid-2018 to late 2019, with soybeans accounting for 71% of that decline. This led to bloated US ending stocks forecasts until the Phase 1 trade deal with China was signed in January 2020. If the USDA adopts a similar approach in Tuesday's report, expect a downward revision to soybean exports, potentially inflating ending stocks beyond current estimates.

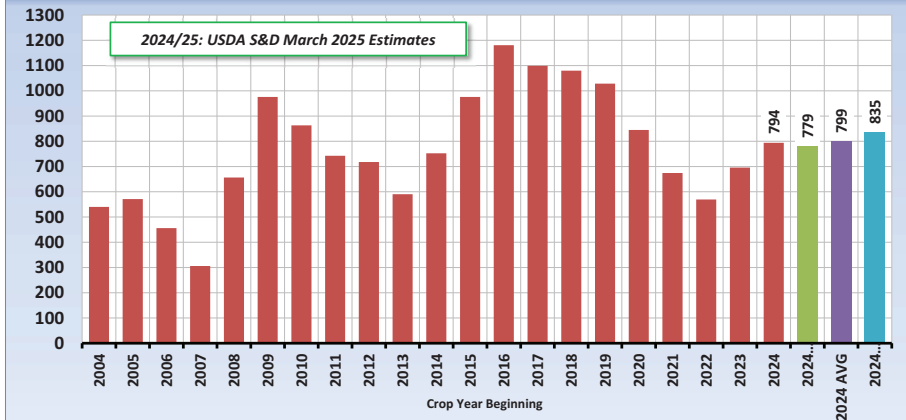
## US Corn Ending Stocks

Million Bushels



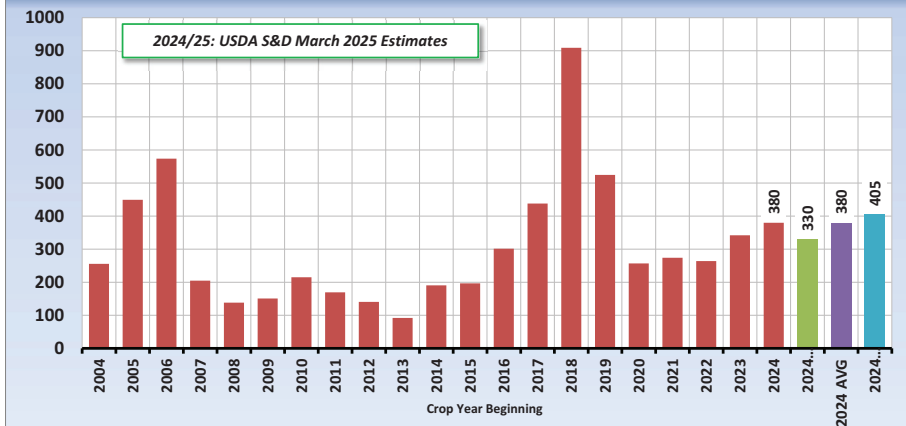
## US Wheat Ending Stocks

Million Bushels



## US Soybean Ending Stocks

Million Bushels



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# USDA MARCH SUPPLY AND DEMAND: SOYBEAN EXPORTS FACE TARIFF UNCERTAINTY

*Continued from Previous Page*

Corn and wheat face less drama. The Administration's decision to delay tariffs on Canada and Mexico under the USMCA until April 2 stabilizes the outlook. US corn exports are outpacing USDA projections, possibly warranting an upward tweak, while wheat balance sheets are expected to see minimal changes. Given the soybean uncertainty, we favor a short position in the soybean market if May futures approach resistance near 1041.

## Suggested Trading Strategy

**SELL** May Bean futures on a rally to 1039. Risk \$0.14 on the trade. Use an objective at 1002.

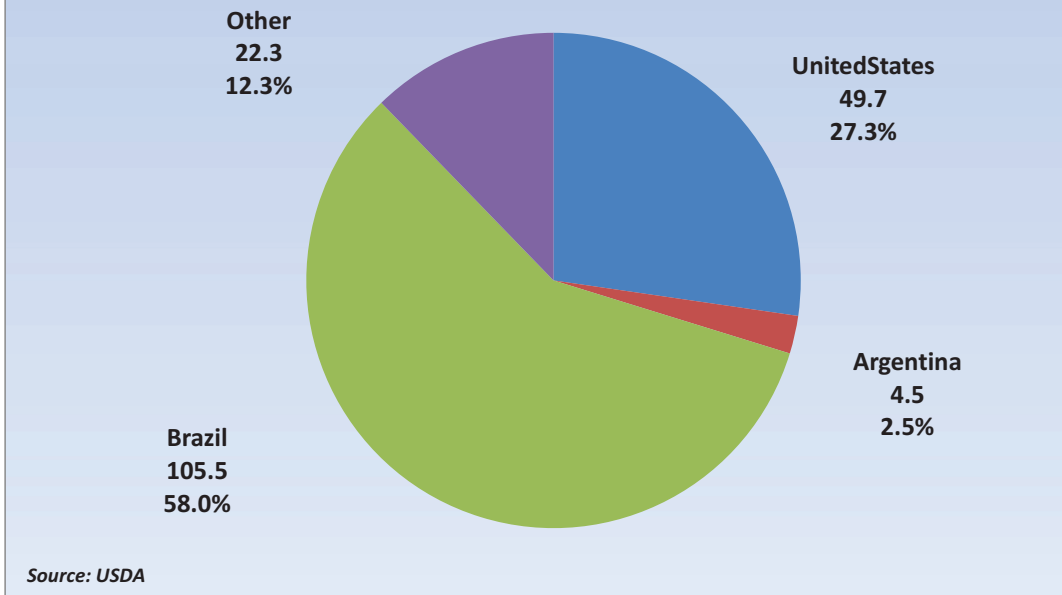
## US Soybean Exports

Million Bushels



## World Soybeans - Major Exporters

### 2024/25 Season - Million Metric Tonnes



# COTTON PRICES CAN SUSTAIN A RECOVERY MOVE

May Cotton has been in a downtrend since the start of October, reaching a new contract low on Tuesday, with front-month prices reaching a 4 1/2-year low. The market has put together a sizable rebound over the past three days and finished Friday with a key weekly reversal. While a positive weekly reversal should lead to upside follow-through early next week, cotton has also received positive fundamental news that can help prices sustain a recovery move beyond next week.

## Suggested Trading Strategy

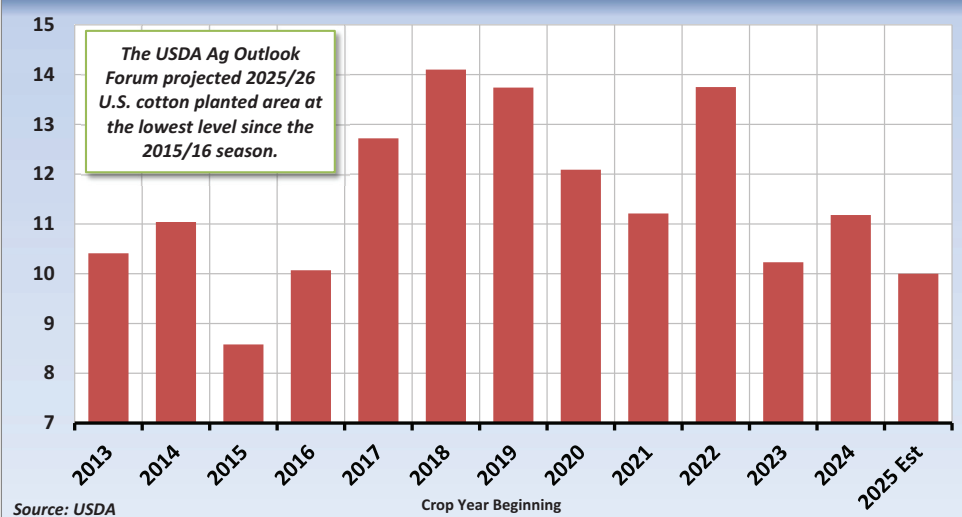
**Option Spread:** **BUY** a July Cotton 68.00/72.00 bull call spread at 0.95 or better. Use an objective of 3.55 and risk the entire spread premium on the strategy.

The USDA's Ag Outlook Forum forecasts that the US cotton planted area will be 10.0 million acres versus 11.18 million last year, the lowest reading since 2015. While the USDA projected yields at 833 pounds per acre (versus 836 pounds/acre last year), they estimated a sharp decline in the abandonment rate, from 26% to 15.9% this year. As a result, US 2025/26 cotton production is projected at 14.6 million bales, compared to 14.41 million last year.

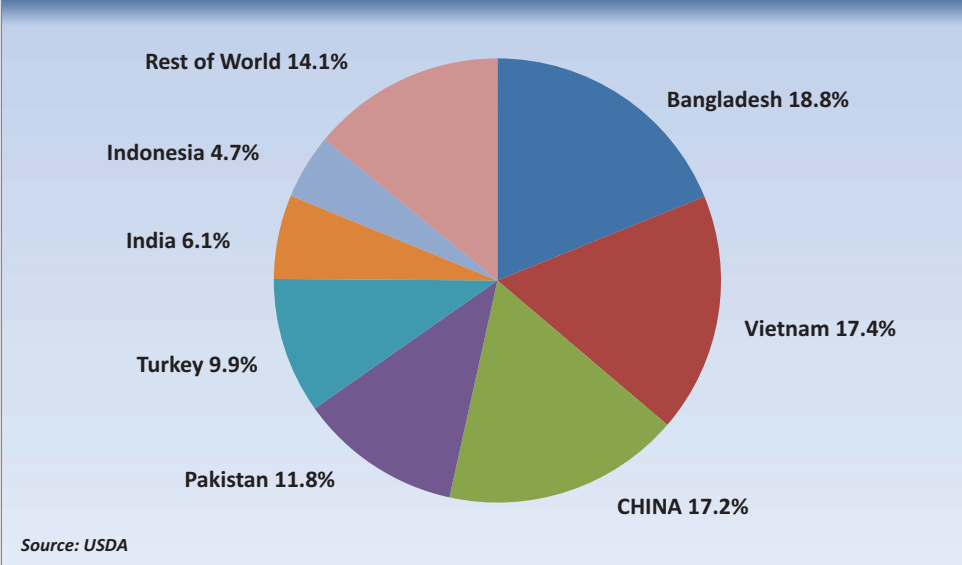
The Outlook Forum forecasts US 2025/26 domestic cotton consumption will be just 1.7 million bales, unchanged from 2024/25, and the lowest domestic usage since 1879/80 (a 145-year low). In contrast, US 2025/26 cotton exports were forecast at 13 million bales, versus 11 million in 2024/25. While the US will likely stay behind Brazil as the world's second-largest cotton exporter, Australia is the only other major cotton-producing nation with large-scale exports.

Although China may cut back on importing US cotton while tariffs on their exports to the US are being fought over, four of the top five cotton importers (Bangladesh, Vietnam, Pakistan, and Turkey) currently do not have tariff issues with the US. With the Dollar losing significant value and reaching a 4-month low during the first week of March, US cotton exports will have a competitive advantage over Brazil and Australian exports. As a result, cotton prices should rise well above this week's lows.

## U.S. Cotton Planted Area Million Acres By Season



## World Cotton Imports % Share by Nation - 2024/25 Season



# RECORD TRADE DEFICITS MAY BE TEMPORARY

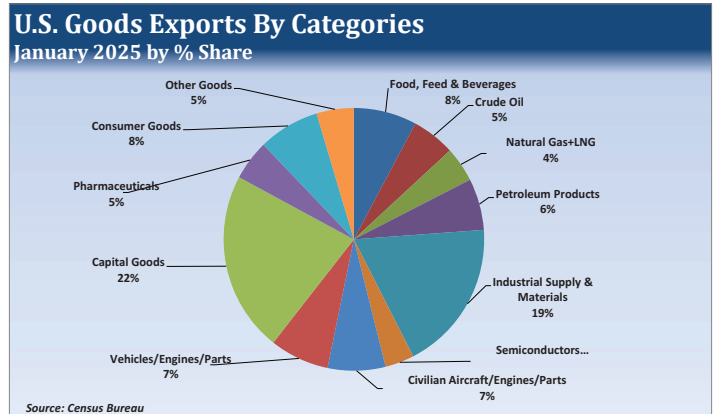
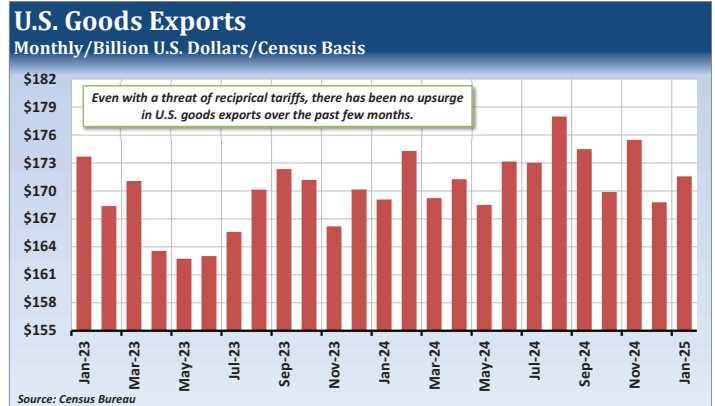
On Thursday, the Census Bureau released a January reading on the US goods and services trade balance, showing a deficit of \$131.382 billion, far above the previous record-high deficit of \$101.914 billion in March 2022. The January reading also showed a massive monthly increase from December's \$98.062 billion deficit, the third-largest monthly deficit on record. The 2-month deficit increase (November to January) of \$53.143 billion is larger than the entire goods & services trade deficit in January 2020 (\$43.724 billion).

When looking at the goods trade balance, the January deficit was \$156.767 billion, a new record high and a \$33.486 billion monthly increase from the previous record high in December. It is interesting to note that the two-month increase in the goods trade deficit of \$52.800 billion is very close to the two-month increase in the goods and services trade deficit. US goods imports rose from \$281.630 billion in November to \$329.546 billion in January, which was a record high by a large margin.

While US companies were clearly "front-running" their goods imports before tariffs started, it is interesting that US goods exports did not see the same upsurge over the past two months. Goods imports declined from \$177.663 billion in November to \$172.779 billion in January. Over the past two years, US monthly goods imports have stayed within a tight range, with a low of \$165.383 billion in June 2023 and a high of \$179.161 billion in August 2024.

Ag commodities have a relatively small share of the overall goods export total, with January readings for soybeans (\$1.533 billion), corn (\$1.575 billion), and meat and poultry (\$2.131 billion) being the most significant individual components. In contrast, energy production has a much larger share of US goods exports. In January, crude oil exports were \$9.189 billion, natural gas and LNG exports were \$7.425 billion, and petroleum product exports were \$10.871 billion.

While vehicle exports (\$12.621 billion in January) could see a pullback if tariffs (and reciprocal tariffs) remain in place, civilian aircraft exports (\$12.292 billion in January) are a sector that should remain stable. Pharmaceuticals (\$8.500 billion in January) and semiconductors (\$6.210 billion in January) are high-demand items that should maintain their current export levels. Stable goods exports can set the stage for a significant contraction in monthly trade deficit readings later this year.



## TOP 12 COFFEE IMPORTERS

The US has to import Ag commodities that it does not produce on a large-scale, and one of the more prominent items is coffee as the US is a major global consumer.

Courtesy of the USDA, here are the 12 largest coffee importers during the 2024/25 season (in 60-kilo bags):

European Union	45,000,000
USA	23,900,000
Japan	7,250,000
Philippines	5,800,000
China	5,600,000
Canada	5,400,000
UK	4,300,000
Russia	4,250,000
Korea, South	3,500,000
Switzerland	3,300,000
Australia	2,200,000
Algeria	2,050,000





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## COMMITMENTS OF TRADERS

Data As of March 4, 2025  
Non-Commercial & Non-Reportable  
Combined Futures & Options

Market	Net Position	Net Change	4-Wk Net Change	52-Wk Ranking
Grains				
CBOT Grains	71,798	-129,226	-150,494	44
Corn	227,566	-84,840	-77,165	45
KC Wheat	-34,527	-24,861	-20,633	10
Minn Wheat	-17,377	-13,198	-8,876	31
Rice	-4,428	-640	-442	1
Soybeans	-67,236	-29,453	-57,974	42
Soyoil	20,937	-36,048	-45,206	33
Soymeal	-53,511	-22,624	-41,416	1
Wheat	-88,532	-14,933	-15,355	3
Livestock				
Cattle	97,587	-14,099	-21,617	38
Feeder Cattle	9,637	-484	-630	44
Hogs	62,996	-26,361	-41,007	22
Metals				
Copper	12,819	-6,261	-9,361	6
Gold	277,406	-17,843	-40,724	23
Platinum	20,150	-3,208	-9,218	18
Silver	68,456	154	1,946	27
Softs				
Cocoa	16,290	-2,261	-11,776	1
Coffee	62,885	-1,207	-5,375	9
Cotton	-62,327	-18,338	-22,323	1
Milk	-7,097	-2,146	-3,633	14
OJ	4,110	36	-1,386	11
Sugar	16,521	-33,541	59,163	21
Currencies				
Canadian	-151,655	-9,713	10,197	23
Dollar	14,992	-827	-1,378	33
Euro	-9,895	17,523	59,823	17
Energies				
Crude Oil	209,828	-13,731	-47,683	4
Gas (RBOB)	36,146	-8,810	-31,738	11
Heating Oil	13,595	-7,461	-9,372	24
Natural Gas	-54,130	-5,043	2,269	47
Financials				
Bonds	80,903	-45,740	-53,137	43
E-Mini S&P	162,239	62,646	65,606	48
Dow Jones \$5	2,525	1,523	-4,745	4
T-Notes	-495,758	39,396	171,015	42
	<b>Extreme</b>	Ranking 1 = Shortest Short		
	<b>5% of Extreme</b>	52 = Longest Long		