



July 19, 2024

## THIS ISSUE

### Near Term:

Bullish: Bonds  
Soybean Meal

Bearish: Soybeans  
Sugar

### Long Term:

Bullish: Gold

### Other:

Upcoming La Niña Has been Slow To Develop

## MAJOR ECONOMIC EVENTS

### July 22

- Chicago Fed National Index

### July 23

- Existing Home Sales

### July 24

- BOC Meeting  
- New Home Sales

### July 25

- Gross Domestic Product  
- Jobless Claims  
- Durable Goods  
- Wholesale Inventories  
- KC Fed Manufacturing Index

### July 26

- Personal Income  
- Consumer Sentiment

## Economic Focus

Global economic sentiment continues to deteriorate as data indicating slowing edges out data signaling growth. Surprisingly, the expanding expectations of rate cuts in most G7 countries and the recent weakness of the dollar have not supported commodities, treasuries, and equities. In fact, despite higher US initial and ongoing claims, treasuries failed to benefit and came under pressure. However, we doubt counterintuitive fundamental-based price action in financial/paper markets will continue, and reversals from moves forged between July 13th and July 19th are likely.

Unfortunately for producers and would be grain longs, wheat is the only credible rally prospect. However, any bounce in wheat is likely to be temporary and fueled by short covering. Recently, Midwest drought has disappeared, increasing bearish pressure. Fortunately for the bulls, crop concerns remain

in Ukraine, and the prospects of improved US grain exports from a weak dollar have helped build consolidation support on the charts.

After a June and July rally to all-time highs and a lack of buying in the face of increased global rate cut prospects, gold and silver appear to be in strong technical liquidation moves. However, with the US seemingly ahead in the "rate cut derby", signs of a dollar downtrend, and

US political tensions, precious metals will likely offer attractive long entry points late next week.

Many financial markets have traded opposite of classic fundamental behavior. However, a developing trend of softening US data and a developing dovish Fed should rekindle rate cut "fever," resulting in a rebound in treasuries and equities and a resumption of the dollar's downtrend.

## OUR OPINION... MARKET BY MARKET

Market		*
<b>Stocks</b>	Selloff balances techs, rate cut hopes to insure a low.	L
<b>Bonds</b>	Corrective action off overdone rate cut buying in June.	L
<b>Dollar</b>	Rebound offers a more favorable short entry price.	S
<b>Euro</b>	"Wide open" Sept rate cut decision is supportive.	L
<b>Gold</b>	Near term top; more corrective action down to 2,390.	S
<b>Silver</b>	More declines from overdone rate cut hope to \$28.70.	S
<b>Copper</b>	China slowing & exploding LME warehouse stocks.	S
<b>Crude</b>	Soft demand offsetting very tight US supply.	N
<b>Gasoline</b>	Very bearish US inventories & disappointing demand.	S
<b>Nat Gas</b>	The trend is your friend despite global heat waves.	S
<b>Soybeans</b>	Short covering bounce due, sell a rally.	S
<b>Corn</b>	Technical neutral, Black Sea relief next week.	S
<b>Wheat</b>	Hot/dry northern Plains in focus.	L
<b>Hogs</b>	Further technical gains expected for December.	L
<b>L Cattle</b>	Bullish momentum weakening.	N
<b>Sugar</b>	This season's Brazil production close to record pace.	S
<b>Coffee</b>	Vietnam supply issues continue to provide support.	L
<b>Cocoa</b>	Coiling action may lead to upside breakout move.	L
<b>Cotton</b>	Increased US planted acreage this year will pressure.	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.



# LONG OPPORTUNITIES IN GOLD AND BONDS AHEAD!

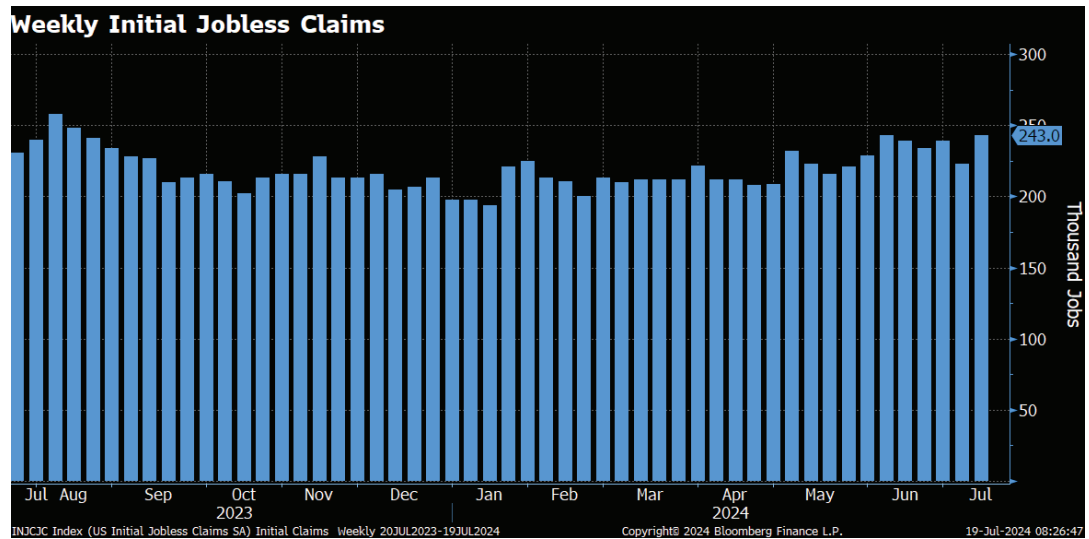
## Long Gold: Wait for Further Washout

Financial markets have traded counter to classic fundamentals and will likely reverse recent action. However, both gold and silver markets were significantly overbought from a technical perspective and tend to liquidate aggressively. Therefore, would-be buyers of gold should be very conservative in long entry pricing, perhaps using long entry prices around the 50% retracement of the March through July rally at \$2352 in October gold.

The case for very conservative long entry price targeting is necessary following the July all-time high print and from the bounce in the dollar. On the other hand, US political angst is very high and is likely to increase as the election nears, enhancing flight to quality buying conditions.

Furthermore, increased prospects of a series of global rate cuts before the end of the year have returned to the front page, and the dollar appears to

have settled into a downtrend. It is also possible that Japanese gold demand will recover along with improved economic prospects, a historical shift from dovish to hawkish policy by their central bank, exploding tourism (economic stimulus), and most importantly, from a potential shift to an uptrend in the Japanese Yen.



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## TRADERS TOOLBOX

OVERVALUED/UNDERVALUED		
Fundamental	Technical	COT
<b>OVERVALUED</b>		
Dollar Index	Gold	Copper
Silver	RBOB	Gold
Copper	British Pound	Crude Oil
<b>UNDERVALUED</b>		
Bonds	Cocoa	Notes
Stocks	Coffee	Corn
Euro	Palladium	Canadian Dollar

### OPTIONS SCAN

#### Undervalued

Buy Sept Coffee 225.00 put @ 3.70

Buy Aug Dollar Index 104.00 put @ 0.49

Buy Sept Bond 122.00 call @ 0-37

#### Overvalued

Sell Sept Copper \$4.44 call @ 0.0675\*

Sell Sept Bond 118.00 put @ 1-10\*

Sell Sept RBOB \$2.67 call @ 0.0340\*

#### Trend Reversals

Buy Sept Wheat 550 call @ 9

Buy Oct Gold \$2,480/\$2,580 bull call @ 14.00

Buy Sept Cocoa 8,300/9,000 bull call @ 150

Only use these strategies during periods of high liquidity.

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

# LONG OPPORTUNITIES IN GOLD AND BONDS AHEAD!

*Continued from Previous Page*

A recovery in Japanese gold demand could be significant after 20 years of deflation and very low gold purchasing. Japanese gold demand has thrown off the disinvestment pattern from 2006 through 2011 and has already posted four years of net buying. Additionally, the fundamental reversal in Japan is likely to combine with the Bank of Japan intervention to significantly strengthen the Japanese Yen, which in turn should improve gold demand. Another solid fundamental underpin for the uptrend in gold ETF holdings month, with holdings increasing by nearly 2 million ounces!

## Longer Term Trade Strategy

**BUY** an October Gold \$2,460/\$2,600 bull call spread at \$24.00 with an objective of \$91.00. Risk the trade to \$15.00.

## Get Long Treasuries from Current Levels!

While treasuries have recently traded counterintuitively to classic fundamental issues (falling instead of rallying), signs of slowing are accumulating. The US Fed is also acknowledging progress in the inflation battle, and the futures trade is once again embracing the prospect of slowing with a return to curve-steepening trades. Furthermore, the US recently posted upside breakouts in US initial and ongoing claims, with ongoing claims reaching the highest level since February and initial claims matching the highest reading since July of 2023. From a shorter-term perspective, last week's high-to-low corrective action should have balanced an overbought condition, increasing the market's sensitivity to soft data directly ahead.

## Suggested Trading Strategy

**BUY** Sept bond at 118-15 with an objective of 120-20. Risk the trade to 117-15.



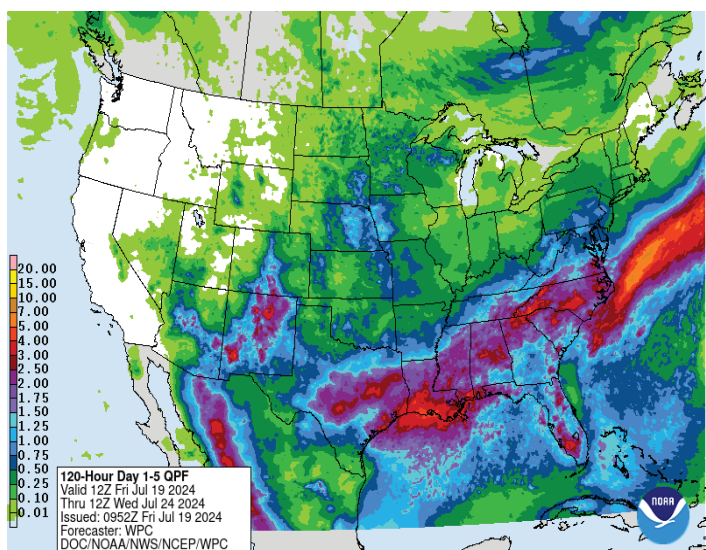
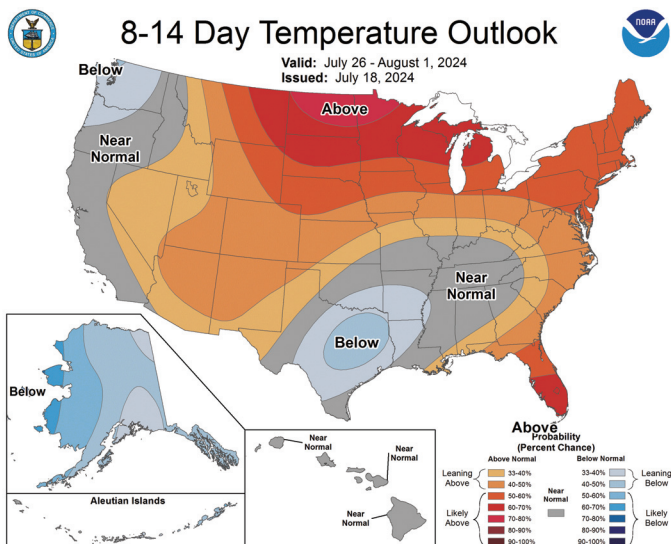
# SOYBEAN UPDATE: FAVORABLE US WEATHER BUT CHINA DEMAND MAY SUPPORT NEAR-TERM BOUNCE

The collapse in soybeans since May, which reached \$1.98 ¾ in the November contract this week, may be ready for at least a minor corrective rally on a pickup in US bean demand despite generally favorable US weather and increasing US yield forecasts. Temperatures are expected to be seasonally mild to below normal for the next ten days, except for the upper US Plains. Most areas have enough subsoil moisture to endure a dry spell as long as extreme heat does not come with it. In addition to the bearish US weather, rhetoric from the Republican National Convention has the bulls concerned that if Trump wins the presidency, he will restart a trade war with China. However, a counter-veiling argument is Trump is also expected to limit war funding for Ukraine, which could help Russia and reduce Ukraine's exports. China still has only a negligible amount of new crop US bean purchases on the books but is expected to be a more aggressive buyer in the near term. US bean prices this week are \$0.05 bushel above Argentina and \$0.33 above Brazil. Short-term, potential additional China bean demand may be supportive enough to

offset favorable US weather and offer at least a minor bounce. In the long term, supplies will increase, which will limit the extent of a bounce. We prefer to sell a rally.

## Suggested Trading Strategy

**SELL** 1 November Bean on a rally to 10.62 this week. Risk 14 cents from entry. Use an objective of 10.15.



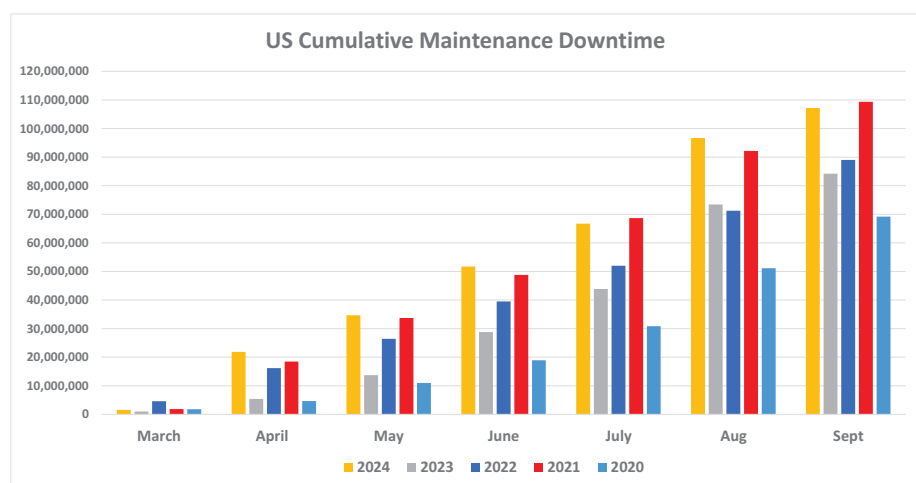
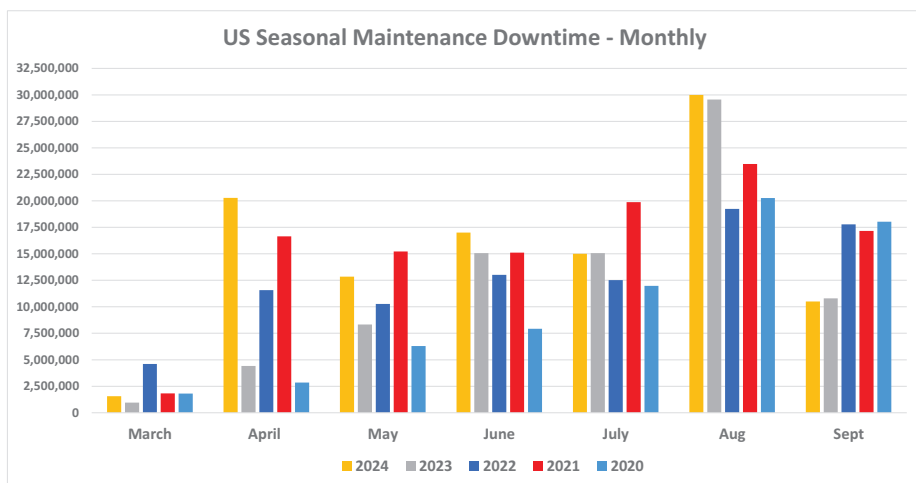
# SOYMEAL OUTLOOK: PROCESSOR DOWNTIME MAY LEAD TO TIGHTER SUPPLIES

Soymeal has also plummeted recently but is nearing critical support after December soy meal fell \$75.60 per ton since the May highs, similar to the break from November 2023 to February 2024, which was \$84.10 per ton. Open interest has risen on the break, hitting its highest level since last November and indicating new shorts have been entering the market at lower prices. However, the extended break has sent technical indicators to deeply oversold levels, and the new shorts may quickly get nervous if the market begins to rebound. In addition, the weekly December meal continuation chart shows a key long-term support trendline going back to the 2009 lows at 304.0.

Fundamentally, meal prices may be ready to rebound as the market has moved into a consumptive value area for global buyers. Current prices have not been seen for at least four years. Strong crush margins over the past year have resulted in the need for industry maintenance downtime for US bean processors as they have been pushing plants hard to capture margins. August downtime is expected to be an all-time monthly record and will tighten old crop US meal supplies when the cash meal pipeline has not been fully replenished from production losses earlier this year. Three new crush plants will be coming online in August, but output will be too late to impact the old crop balance sheet. Furthermore, it's too late in the old crop season for South American meal imports to impact US supplies. The downtime could spark a corrective rally in the old crop, and we want to position long in the near month.

## Suggested Trading Strategy

**BUY** 1 September Meal at 316.5 or better. Risk to 309.0. Use an Objective of 346.0.



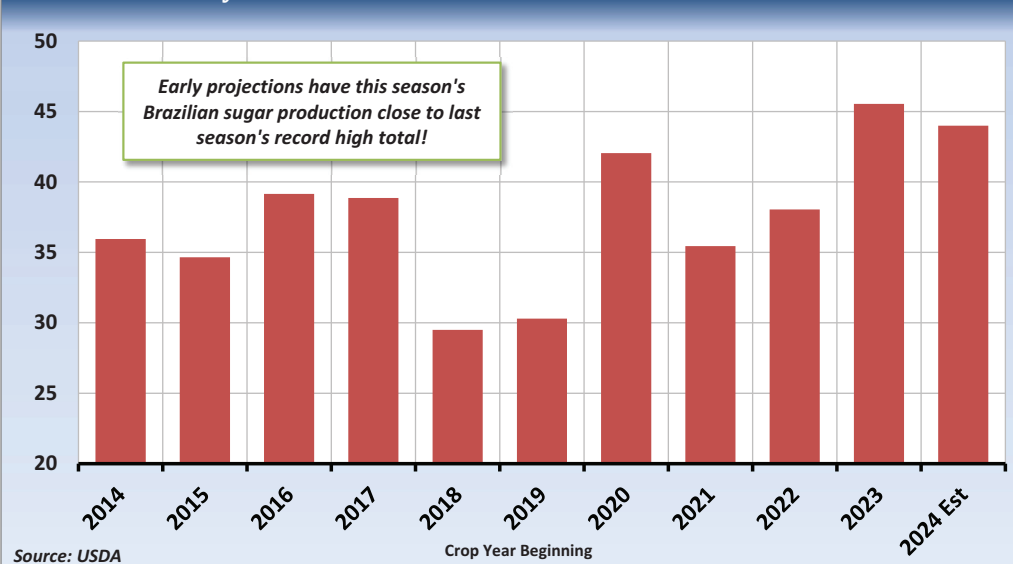
# INCREASED SUGAR PRODUCTION WILL PRESSURE PRICES

Forecasts for 2024/25 global sugar production improved during the second quarter and should pressure sugar prices over the next few months. Brazil's Center-South sugar output from April to June was 14.2 million tonnes, 15.7% ahead of last season (2023/24 finished with a record-high sugar production total). Sugar's share of Center-South crushing during the second quarter was 48.7% versus 47.7% last year, indicating that mills favor sugar production over ethanol.

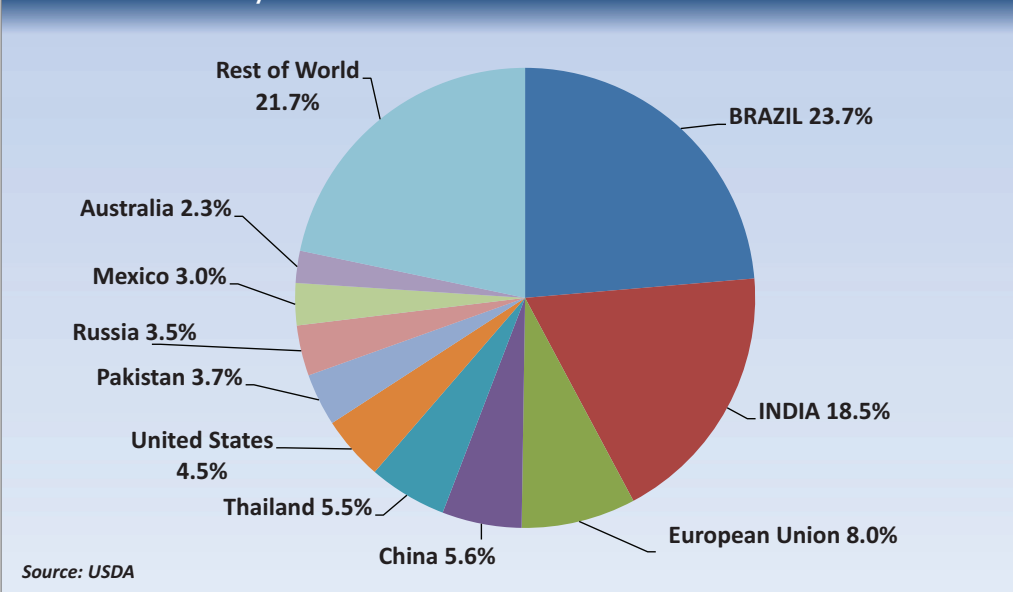
After stalling for several weeks, the 2024 Indian monsoon regained strength and covered the entire nation several days ahead of schedule. As of July 18, monsoon rainfall was 3% below the longer-term average but is expected to be above average eventually. An above-average monsoon should benefit their cane crop and increase the likelihood that India's 2024/25 sugar production will match or exceed their 2023/24 output.

## Brazil Nationwide Sugar Production

Million Tonnes By Season



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



While India continues to have a sugar export ban, improved production could see it end during the 2024/25 season. Thailand should see a rebound in sugar production during the 2024/25 season, leading to more significant Thai exports. With ample global supply expected, sugar prices could reach three-year lows over the coming months. If a "risk on" mood develops in global markets late this month, a near-term recovery move will become an opportunity to approach the short side of the sugar market.

### Suggested Trading Strategies

- 1) **SELL** October Sugar at 19.35 with an objective of 16.85. Risk the trade to 20.05.
- 2) **BUY** an October Sugar 18.50/16.50 bear put spread at 45 with an objective of 170. Risk the entire spread premium on the strategy.

# UPCOMING LA NIÑA HAS BEEN SLOW TO DEVELOP

The 2023/24 El Niño event ended with a return to neutral ENSO conditions during April-June. The latest monthly update from the US Climate Prediction Center (CPC) calls for neutral conditions to continue through the end of this month. It also gave a 70% chance that a La Niña event would develop during August-October.

The Oceanic Niño Index (ONI) is the 3-month running average of sea surface temperatures in the Niño 3.4 region of the east-central Pacific Ocean. An El Niño event occurs when the ONI is 0.5 degrees Celsius or greater above average, while a La Niña occurs when the ONI is 0.5 degrees Celsius or greater below average. ENSO conditions are neutral if the ONI holds between 0.5 and -0.5 degrees Celsius.

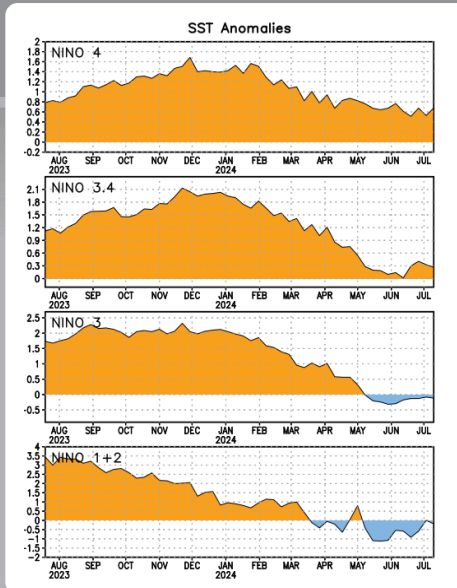
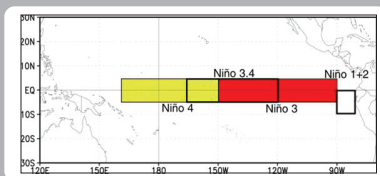
The 2023/24 El Niño saw a peak reading of +2.0 during the November 2023-January 2024 timeframe, which is well above the strong category threshold of +1.5 and was close to previous strong events in 1982/93 (+2.2) and 1997/98 (+2.4). Early projections call for the upcoming La Niña to reach its lowest ONI of roughly -1.0 degrees Celsius during the November-January 2025 timeframe, representing a moderate La Niña event.

A La Niña event typically brings above-average precipitation to the eastern Corn Belt, above-average temperatures over the southeast US, and lower-than-normal precipitation to southern Brazil and Argentina, major producing regions for sugarcane, coffee, soybeans, and corn. As a result, an extended delay to the start of La Niña may significantly impact the global production of many vital commodities.

## Niño Region SST Departures (°C) Recent Evolution

The latest weekly SST departures are:

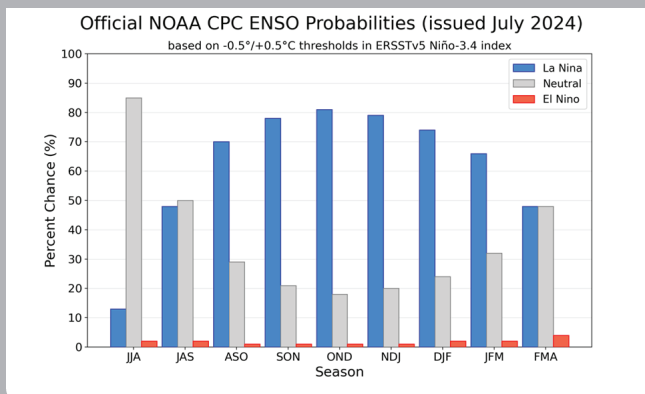
Niño 4	0.7°C
Niño 3.4	0.3°C
Niño 3	-0.1°C
Niño 1+2	-0.2°C



## CPC Probabilistic ENSO Outlook

Updated: 11 July 2024

ENSO-neutral is expected to continue for the next several months, with La Niña favored to develop during August-October (70% chance) and persist into the Northern Hemisphere winter 2024-25 (79% chance during November-January).



# Long Term Trades

## UPDATES TO PRIOR LONGER-TERM TRADE STRATEGIES

Original Trade Date	Trade	Action
Cocoa 7/3/24	Long a November Cocoa 6,500/5,800 bear put spread at 242.	Use an objective of 630 and risk the option strategy to 145.
Silver 7/12/24	<b>BOUGHT a December Silver \$35.75/\$40.00 bull call spread at \$0.461</b>	Use an objective of \$2.30 and risk the trade to \$0.24.
Gold 7/19/24	<b>BUY an October Gold \$2,460/\$2,600 bull call spread at \$24.00.</b>	Use an objective of \$91.00 and risk the trade to \$15.00.

*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.*

## TOP 12 COTTON PLANTED AREA 2024

Last month's USDA Acreage report said that US 2024/25 cotton planted area will be **11.67 million acres** which is a **14% increase** from the **10.23 million acres** planted in 2023/24.

*Courtesy of the USDA, these are the 12 states with the largest cotton planted area during 2024/25 (in acres):*

Texas	6,430,000
Georgia	1,100,000
Arkansas	670,000
Mississippi	520,000
Oklahoma	460,000
Alabama	450,000
North Carolina	410,000
Missouri	400,000
Tennessee	300,000
South Carolina	240,000
California	148,000
Louisiana	120,000







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## COMMITMENTS OF TRADERS

Data As of July 16, 2024  
Non-Commercial & Non-Reportable  
Combined Futures & Options

Market	Net Position	Net Change	4-Wk Net Change	52-Wk Ranking
Grains				
CBOT Grains	-564,267	-14,120	-124,517	1
Corn	-298,305	7,414	-59,305	3
KC Wheat	-34,648	1,462	5,345	12
Minn Wheat	-27,008	-3,262	-11,048	12
Rice	205	-764	-1,727	1
Soybeans	-210,535	-16,792	-63,106	1
Soyoil	-18	-5,212	83,255	31
Soymeal	43,498	-37,017	-59,458	17
Wheat	-55,427	-4,742	-2,106	22
Livestock				
Cattle	60,354	-4,730	-450	22
Feeder Cattle	-7,316	86	430	3
Hogs	-1,006	544	-3,687	10
Metals				
Copper	65,730	3,093	7,921	45
Gold	312,124	30,016	39,045	52
Platinum	30,328	-277	1,605	46
Silver	80,291	-535	4,335	51
Softs				
Cocoa	26,951	-27	1,786	10
Coffee	73,742	-3,188	752	47
Cotton	-19,890	1,983	1,260	4
Lumber	#N/A	#N/A	#N/A	#N/A
Milk	-2,552	-370	-269	48
OJ	5,462	193	280	47
Sugar	67,150	-7,618	30,587	17
Currencies				
Canadian	-137,650	-24,067	-10,228	3
Dollar	19,276	1,862	-84	41
Euro	63,788	28,812	52,070	13
Energies				
Crude Oil	332,644	-2,281	14,301	39
Gas (RBOB)	46,451	-7,550	-2,274	6
Heating Oil	23,240	-5,968	-2,795	7
Natural Gas	-75,814	11,217	607	36
Financials				
Bonds	27,553	-7,864	106	41
E-Mini S&P	25,298	-17,086	-22,530	41
Dow Jones \$5	17,658	6,588	16,279	36
T-Notes	-505,171	-92,838	-204,379	37
	<b>Extreme</b>			Ranking 1 = Shortest Short
	<b>5% of Extreme</b>			52 = Longest Long