



## THIS ISSUE

### Near Term:

Bullish:	Emini S&P Corn Japanese Yen Swiss Franc
Bearish:	Soybeans

### Other:

Has US Corn & Soybean Planted Acreage Reached a Ceiling?

July 26, 2024

## Economic Focus

From a macro perspective, the global economy continues to soften, inflation appears to be moderating, and Chinese economic concerns continue to surface. However, the markets are approaching the long-awaited easing by the ECB and the US Federal Reserve. Unfortunately, the July FOMC meeting will likely not result in a rate cut, but is likely to prepare the markets for one in September. In the near term, periodic economic forecasts express concerns of accelerating slowing because of a slow-to-act Fed. Therefore, physical commodities are likely to remain under pressure from demand concerns.

On the other hand, the evidence of softer US inflation and slowing data will likely limit dollar gains, thereby reducing at least one bearish commodity force. Even the current Chinese situation has a bearish tilt as the list of Chinese stimulus moves has expanded without visible results. Recently, the Chinese

government reduced interest rates, lowered retail fuel prices, allowed local governments to expand debt, and relaxed real estate borrowing procedures, all of which failed to result in macro optimism.

Internal physical commodity market fundamentals remain squarely in the bear camp, with production widely overwhelming demand in nearly every market and concerns

around supply diminishing. However, markets like corn, wheat, soybeans, natural gas, sugar, and copper are approaching fundamental value levels, with technical readings not yet “sold out.” The net spec and fund traders in non-financial commodities are short but not fully liquidated yet! In conclusion, recent downtrends look to extend with the potential for major bottoming seen in the 2nd half of August.

## MAJOR ECONOMIC EVENTS

### July 30

- Case-Shiller Home Price Index
- JOLTS Survey
- Consumer Confidence

### July 31

- BOJ Meeting
- Euro Zone CPI
- ADP Employment Survey
- Pending Home Sales
- FOMC Meeting Results

### August 1

- BOE Meeting
- Jobless Claims
- Non-Farm Productivity
- ISM Manufacturing Index
- Construction Spending

### August 2

- Employment Situation
- Factory Orders

## OUR OPINION... MARKET BY MARKET

Market		*
<b>Stocks</b>	Key low after another pulse down.	L
<b>Bonds</b>	Slowing evidence flowing, inflation moderating.	L
<b>Dollar</b>	Weakness in Yuan and Rupee leave the \$ in charge.	L
<b>Euro</b>	Fresh chart damage against a \$ winning by default	S
<b>Gold</b>	Residual \$ strength should rekindle selling.	S
<b>Silver</b>	Upside breakout in Silver ETFs; buy down @ \$28.00.	L
<b>Copper</b>	Exploding LME stocks & China concern; \$4.00 target.	S
<b>Crude</b>	Slowing global demand not offset by tight US stocks.	S
<b>Gasoline</b>	Soft Implied demand & flush US inventories bearish.	S
<b>Nat Gas</b>	Short covering bounce offers fresh short opportunity.	S
<b>Soybeans</b>	Weather rally anemic; sell a bounce.	S
<b>Corn</b>	Prices in value zone, huge fund short limits downside.	N
<b>Wheat</b>	Larger potential HRS supplies are bearish.	S
<b>Hogs</b>	Recent rally losing momentum, no sell signal yet.	L
<b>L Cattle</b>	10-month high on Aug this week, trend up.	L
<b>Sugar</b>	Brazil CS output staying ahead of last season's pace.	S
<b>Coffee</b>	Wet weather should benefit upcoming Brazil output.	S
<b>Cocoa</b>	W Africa will have stronger production next season.	S
<b>Cotton</b>	Larger 2024/25 US production continues to 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.

## Non-Financial Markets - COT - Futures & Options

Non-Commercial & Non-Reportable Combined - Net Position



# SOYBEAN UPDATE: WEATHER RALLY DISAPPOINTS

The US new crop bean balance sheet is a bearish cloud over the market. With the critical pod setting timeframe for beans arriving, traders are trying to determine if any significant crop weather losses could occur that would tighten the balance sheet. The soy complex started this week on a very firm note but slipped back and gave up some of the gains as the week progressed. Hot/Dry conditions are moving into the western belt for the next two weeks; however, eastern belt areas are expected to be less hot and have better precipitation chances, potentially offsetting the problems in the west. Traders need to keep in mind that Managed Money traders were holding a record net short last week, so fuel is there for a further short-covering rally. However, US weather does not seem adverse enough to warrant a significant exiting of short positions by the funds.

Next week, Argentine crush workers may go on strike, which could offer some minor support to beans and soymeal. However, US weather will be the main focal point, and since the hot/dry forecast has not resulted in a significant rally, next week's forecast will need to be even more stressful for the crop to bring weather bulls back into the market. This week's rally in November beans stalled at the 20-day moving average, just as it did on the rally in early July. We prefer to position short on a bounce.

## Suggested Trading Strategy

**SELL** November Bean Futures on a rally to 1068. Risk \$0.15 from entry. Use an objective of 1009.



## TRADERS TOOLBOX

OVERVALUED/UNDERVALUED		
Fundamental	Technical	COT
<b>OVERVALUED</b>		
Silver	Hogs	Gold
Gold	British Pound	Coffee
Coffee	Natural Gas	Silver
<b>UNDERVALUED</b>		
Bonds	Copper	Soybeans
Sugar	Soybean Oil	Notes
Cattle	Sugar	Canola

## OPTIONS SCAN

### Undervalued

**Buy Sept Natural Gas \$1.95 put @ 0.100**

**Buy Sept Corn 395 put @ 7**

**Buy Dec Cattle 187.00/192.00 bull call @ 2.00**

### Overvalued

**Sell Sept Natural Gas \$2.45 call @ 0.120\***

**Sell Sept Bond 117.00 put @ 0-58\***

**Sell Dec Copper \$4.75 call @ 0.0670\***

### Trend Reversals

**Buy Sept Bond 121.00 call @ 0-43**

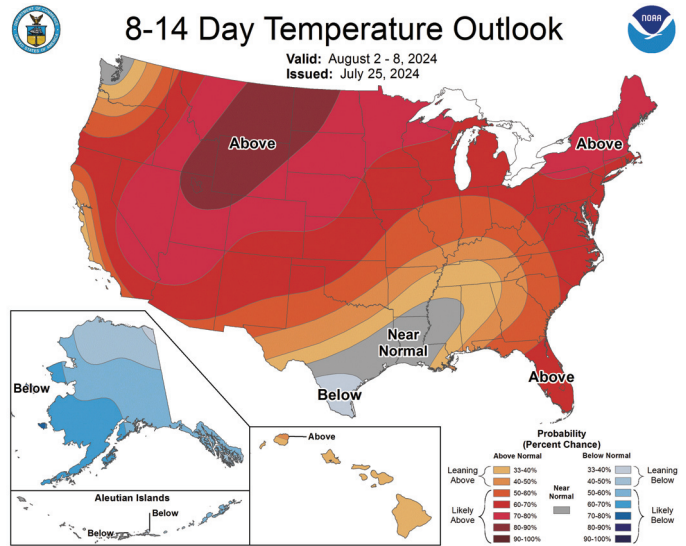
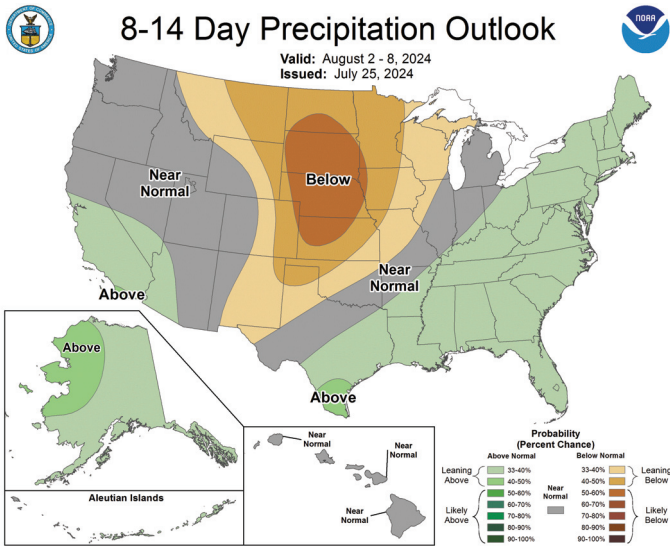
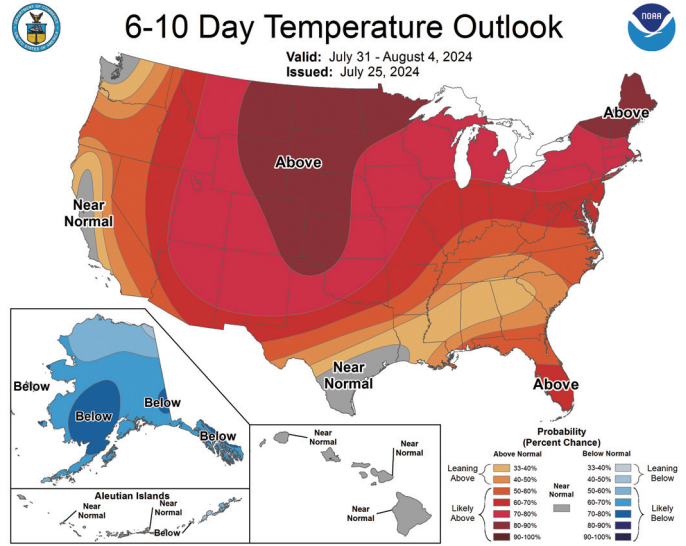
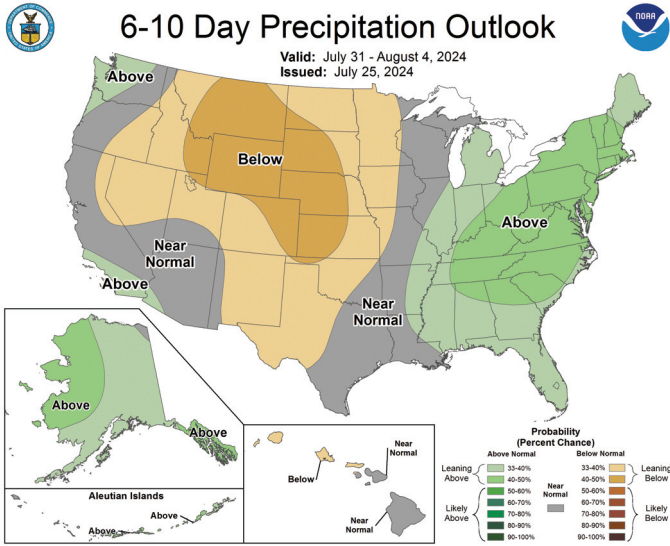
**Buy Oct Sugar 18.00 call @ 0.48**

**Buy Sept Silver \$29.00 call @ 0.35 on a further decline**

Only use these strategies during periods of high liquidity.

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

# WEATHER OUTLOOK





# CORN UPDATE: US WEATHER MILDLY SUPPORTIVE, EARLY HARVEST LOW POSSIBLE

Corn prices broke out of the short-term sideways range this week but have been unable to carry through to the upside. A hot and dry pattern is heading into the western and eventually central corn belt over the next two weeks, and stressful conditions continue in parts of the Black Sea corn areas. Typically, a 6-to-10 and 8-to-14 day forecast calling for above normal temperatures and below normal precipitation at this time of year would spark frenzied buying by weather bulls. This year, good subsoil moisture across the corn belt, as evidenced by the US corn crop area under drought at only 4% compared to 53% last year, allows the crop a cushion to avoid significant damage. Late-season dryness can affect kernel size, which could still be an issue, especially across the western belt. Flooding in late spring in the heart of the corn belt may reduce harvested acres to some degree. An early harvest low is a distinct possibility in years of good crop conditions.

Ukraine's corn production is crucial to world supply as it is a large exporter and competes directly with the US. Black Sea weather has

been less than ideal this year, with hot temperatures and periodic dryness, causing some private forecasters to call for lower Ukrainian production. 2024/25 Ukraine corn production is pegged at 27.70 million tonnes by USDA, down from 31.0 million last season. Several private analysts see Ukraine's production several million tonnes lower than the USDA estimate. Any significant reduction in Ukraine's crop production will likely boost US corn exports. We believe December corn prices reflect good value in the \$4.00 area, and we prefer to position long for a potential early harvest low.

## Suggested Trading Strategy

**Bull Call Spread:** BUY 1 October Corn 410 call and SELL 1 October Corn 440 call for a net cost of 10 cents. Risk the entire premium on the trade. Take profits on the entire position if December Corn touches 439.

## Ukraine Corn - Production vs Exports

Million Acres by Crop Year



# DOVISH RATE NEWS VERSUS BIG TECH FEAR

The recent correction in equity prices appears to be more than just a simple back-and-fill balancing event. Obviously, the fear of economic slowing and impatience over the timing of interest rate cuts has discouraged equity investors. Still, a more ominous negative is deteriorating confidence in "Big Tech" shares. The AI miracle, chip sector Nirvana, and constant support from the promise of rate cuts have evaporated for now. Slumping Big Tech optimism is apparent with the Nasdaq July high-to-low slide of 2,220 points!

Furthermore, investors are becoming sensitive to the geopolitical upheaval underway in the US, with investors facing massive uncertainty ranging from who will be in charge to the shape of our economy post-election. Not surprisingly, many analysts think the US deficit will expand, and inflation will revive regardless of who controls Washington. In the near term, investors are also concerned that central bankers have waited too long to reduce rates, which has fostered ideas that the third and fourth quarter corporate earnings will be disappointing!

Even internal fundamentals favor the bear camp, with reports of massive AI technology spending expected to significantly dent profitability before major profitability surfaces. While the Trump presidency is likely to reduce the threat of an increase in US capital gains taxes, some investors are concerned a Trump victory will result in escalating trade tensions with China, tariffs, and other issues capable of creating trade headwinds.

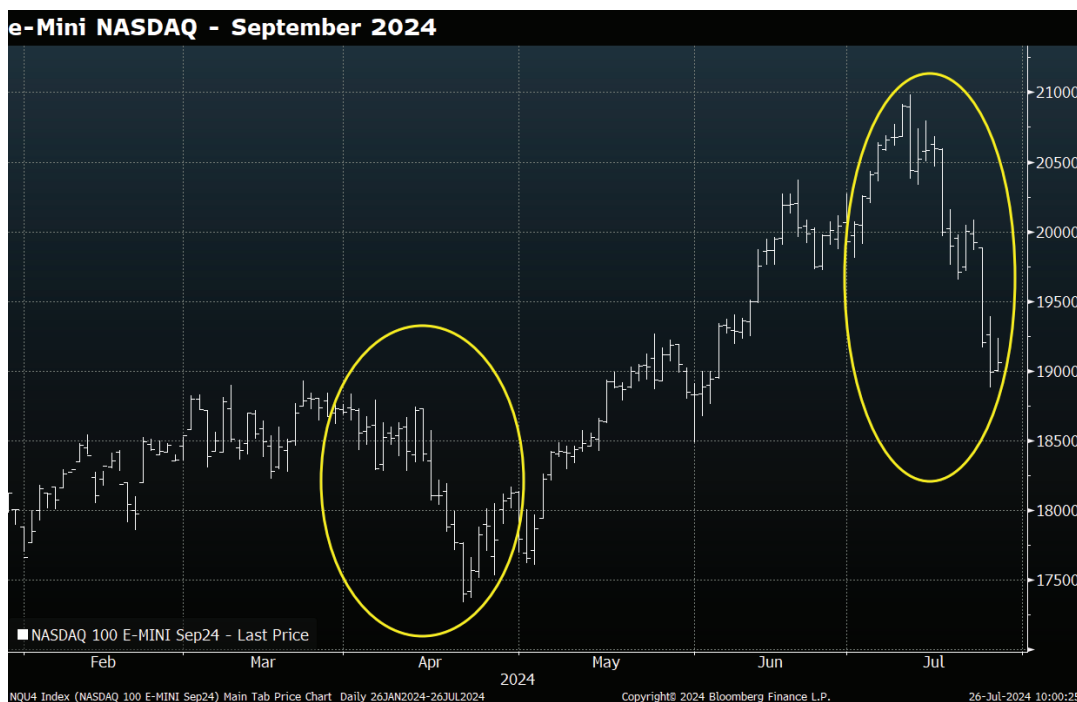
From a technical perspective, the July washout has ruptured a series of intermediate-term uptrend channels, and the duration of the slide has tempered bargain-hunting buying. On the other hand, the net spec and fund positioning in the S&P adjusted for the declines of the last several weeks

has resulted in a "net short," which should moderate stop-loss selling of events triggered by bearish fundamental headlines.

In conclusion, bearish sentiment continues to expand and is likely to reach a crescendo, which should result in a spike low in the wake of the FOMC meeting press conference. While the current washout is already significant at 289 points it has yet to match the 370 point washout in April. Therefore, our projections are for a low in September S&P futures of 5409 which matches the April washout. In other words, we expect some disappointment with the lack of a July cut but think the Fed will throw the market a bone by telegraphing a September rate cut. Unfortunately for the bull camp, volatility is likely to ramp up into a key bottom and therefore traders should utilize option strategies to position for a low!

## Suggested Trading Strategy

**BUY** Sept Emini S&P 5500/5600 bull call spread at 26.00, with an objective of 64.00. Risk the trade to an option spread price of 12.00.



# YEN & SWISS FRANC SHOULD BENEFIT FROM THE JULY FOMC MEETING

The US Dollar has started the third quarter on the defensive as softer US economic data have increased the prospect for multiple Fed rate cuts over the rest of this year. Next week's FOMC meeting should see the Fed remain "on hold." However, the post-meeting statement and comments from Fed Chair Powell should signal a 0.25% cut at the September FOMC meeting. As a result, the US Dollar could see significant weakness early in August that should benefit several major currencies.

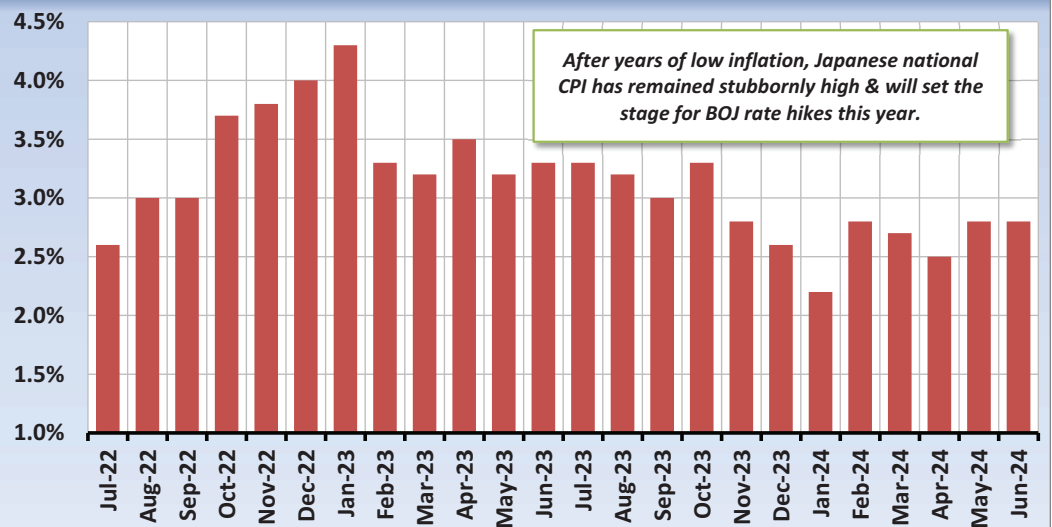
Although many major central banks are preparing to cut rates, there is a significant chance that the Bank of Japan could hike benchmark Japanese rates at next week's meeting. Even if they keep rates on hold, they should signal higher rates by the end of this year. A massive short-squeeze lifted the Japanese Yen well above the 37-year low it posted earlier this month, so a post-FOMC/BOJ meeting pullback can provide an opportunity to approach the long side of the Yen.

Following a 13-year high at the end of last year, the Swiss Franc fell to a 17-month low at the end of April, followed by choppy price action over the past three months. The Swiss National Bank has cut benchmark Swiss rates twice this year but will likely only have one more 0.25% cut over the rest of 2024. As a result, the Swiss Franc should benefit from post-FOMC weakness in the US Dollar and maintain upside momentum during early August.

## Suggested Trading Strategies

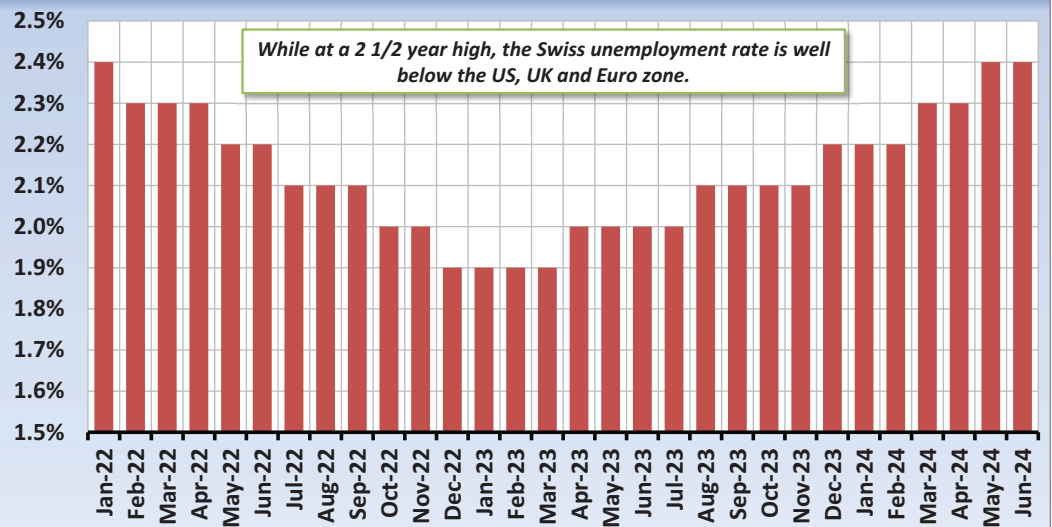
- 1) **BUY** a September Japanese Yen 66.00/68.50 bull call spread at 44 with an objective of 216. Risk the entire spread premium on the strategy.
- 2) **BUY** a September Swiss Franc 1.1500/1.1700 bull call spread at 36 with an objective of 180. Risk the entire spread premium on the strategy.

### Japanese National CPI Monthly Year-over-Year % Rate



Source: Statistics Bureau of Japan

### Swiss Unemployment Rate % Rate at Month-End



Source: Swiss SECO

# HAS COMBINED US CORN AND SOYBEAN ACREAGE REACHED A CEILING?

Brazil and the US are the two largest soybean and corn exporting nations. Brazil's combined corn and soybean planted area has risen from 118 million during the 2013/14 season to 164 million during the 2023/24 season. If Brazil's planted acreage for corn and soybeans continues to grow, it may keep a "ceiling" over US planted acreage going forward.

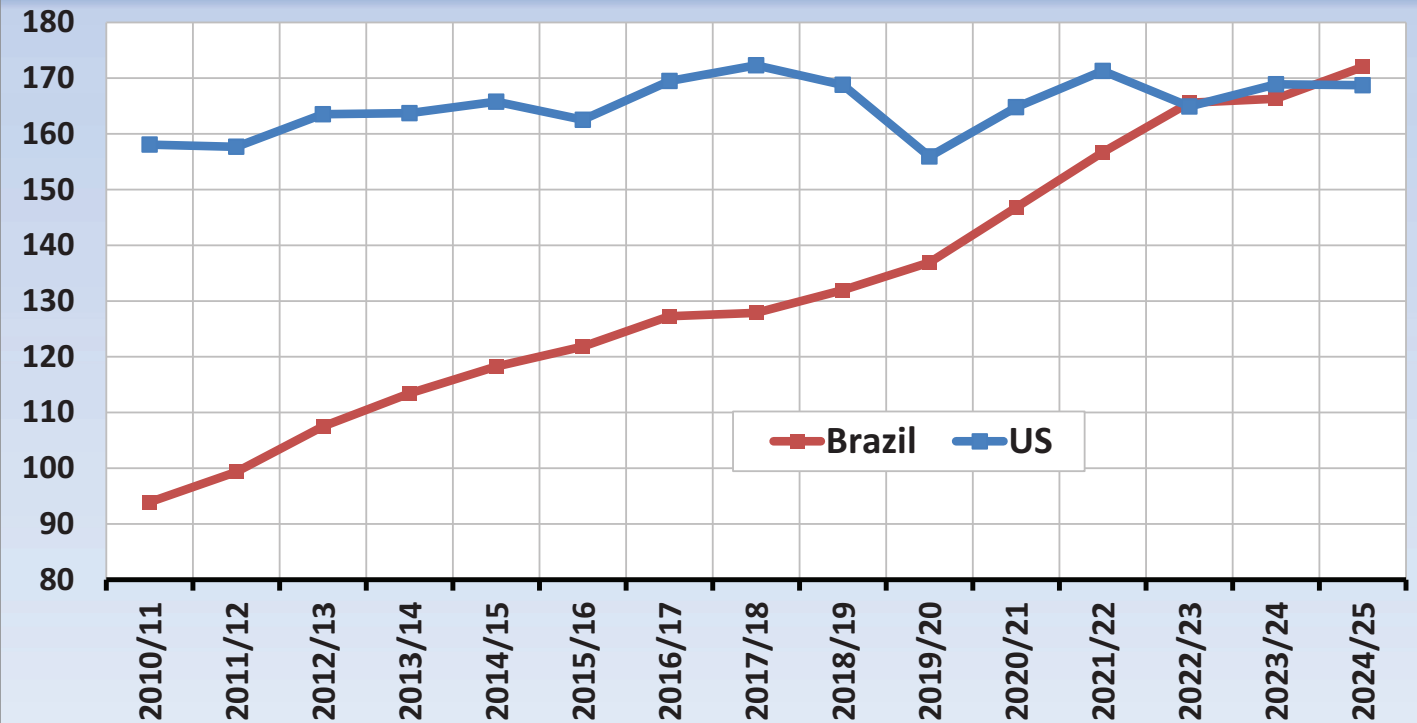
The National Agricultural Statistics Service (NASS) released its 2024 Acreage report at the end of June, which reflected the result of a survey conducted during the first two weeks of last month. Their forecast for this year's US corn planted acreage was 91.475 million acres (down from 94.641 million in 2023). 2024's US soybean planted acreage is estimated at 86.100 million acres (up from 83.600 million in 2023). This year's combined corn and soybean acreage is 177.575 million acres, down from 178.241 million in 2023. Corn and soybeans acreage is concentrated in the Midwest. Iowa (23.0 million in 2024) and Illinois (21.6 million in 2024) consistently have the largest planted areas. Many farmers rotate from one crop to the other each year, but spring weather and prices can also lead to shifts in planted acreage.

The highest combined acreage was in 2017, with 180.4 million, the only year each crop had a planted area above 90 million acres. Wet spring weather kept 2019 acreage at 165.8 million, a 15-year low. 2016, 2018, and 2020 through 2024 have ranged from 174.1 up to 180.1 million acres.

Corn's recent high for planted acreage was 97.3 million acres in 2012, during the early stages of the ethanol boom, the highest total since 1936. The record high for corn was 113.0 million acres in 1932 during the Depression, with 1931 and 1933 also above 109 million acres. In contrast, the nine highest soybean planted acreage years have occurred during the past ten years.

Crop prices are a major factor in how many acres farmers plant, and continually rising acreage in Brazil may limit prices and subsequently limit US farmer's incentive to plant more acres.

## Corn & Soybean Harvest Acres - Brazil vs US Million Acres by Crop Year



Source: USDA

# 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	Long a December Silver \$35.75/\$40.00 bull call spread at \$0.461	<b>HIT PROTECTIVE STOP at \$0.181 for a loss of \$0.280 on the strategy.</b>
Gold 7/19/24	<b>BOUGHT an October Gold \$2,460/\$2,600 bull call spread at \$18.90.</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 PRINCIPAL CROP PLANTED AREA

Last month's USDA Acreage report said that the US will have 315.2 million acres planted with principal crop this year, which compares to 319.6 million in 2023.

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

Kansas	24,428,000
Iowa	24,250,000
North Dakota	23,892,000
Illinois	22,905,000
Texas	21,752,000
Nebraska	19,813,000
Minnesota	19,592,000
South Dakota	16,765,000
Missouri	13,356,000
Indiana	11,700,000
Montana	9,858,000
Ohio	9,640,000







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## COMMITMENTS OF TRADERS

Data As of July 23, 2024  
Non-Commercial & Non-Reportable  
Combined Futures & Options

Market	Net Position	Net Change	4-Wk Net Change	52-Wk Ranking
Grains				
CBOT Grains	-511,487	52,780	-11,917	5
Corn	-281,066	17,239	8,114	6
KC Wheat	-32,603	2,045	3,335	14
Minn Wheat	-26,431	577	-4,022	13
Rice	-722	-927	-2,602	1
Soybeans	-175,711	34,824	-19,319	7
Soyoil	-7,353	-7,335	28,383	28
Soymeal	36,062	-7,436	-57,489	17
Wheat	-54,710	717	-712	23
Livestock				
Cattle	58,384	-1,970	-9,987	22
Feeder Cattle	-7,048	268	-971	4
Hogs	6,277	7,283	6,525	18
Metals				
Copper	47,568	-18,162	-10,010	37
Gold	297,171	-14,953	31,537	51
Platinum	19,478	-10,850	-12,132	33
Silver	68,061	-12,230	-6,662	37
Softs				
Cocoa	28,737	1,786	3,812	13
Coffee	68,329	-5,413	-1,673	42
Cotton	-29,041	-9,151	-14,391	1
Lumber	#N/A	#N/A	#N/A	#N/A
Milk	-2,511	41	89	48
OJ	5,155	-307	90	44
Sugar	11,948	-55,202	-66,305	9
Currencies				
Canadian	-168,599	-30,949	-42,858	1
Dollar	18,907	-369	354	40
Euro	70,170	6,382	53,665	16
Energies				
Crude Oil	326,430	-6,214	948	37
Gas (RBOB)	36,413	-10,038	-15,151	1
Heating Oil	21,439	-1,801	-13,324	5
Natural Gas	-72,771	3,043	2,910	39
Financials				
Bonds	17,373	-10,180	-20,414	37
E-Mini S&P	72,009	46,711	-16,854	47
Dow Jones \$5	14,638	-3,020	5,530	32
T-Notes	-547,002	-41,831	-157,712	32
	<b>Extreme</b>			Ranking 1 = Shortest Short
	<b>5% of Extreme</b>			52 = Longest Long