



August 2, 2024

THIS ISSUE

Near Term:

Bullish: Corn
Soybeans
Gold
Silver

Bearish: Coffee

Other:

Positive Non-Farm Payroll Streak in Jeopardy?

MAJOR ECONOMIC EVENTS

August 5

- ISM Services Index

August 6

- International Trade Balance

August 7

- Consumer Credit

August 8

- Chinese Trade Balance
- Jobless Claims
- Wholesale Trade

August 9

- Chinese CPI/PPI
- Canadian Unemployment

Economic Focus

Signs of global slowing are apparent and mounting almost to the point of fear of too much slowing! Fortunately, there are also signs that inflation is “creeping” lower. Recent studies show that food and agricultural prices at the consumer level are also beginning to soften. Inflation at the consumer level (especially food) will be very slow to adjust lower throughout production/marketing supply chains. On the other hand, consumers are justifiably disappointed in the magnitude of declines in food prices relative to the significant decreases in underlying commodity prices. Over the past 14 months, corn prices are down 27%, soybean prices down 22%, Soybean Oil down 66%, cattle prices down 7%, hog prices down 12.5%,

nonfat dry milk down 30%, butter prices down 10%, sugar prices down 52%, gasoline prices down 11%, and natural gas prices down by 44%.

Other signs of a likely bottoming of commodity prices ahead are the shift from neutral to dovish global central bank policies and

signs of a weakening dollar. Unfortunately for commodity producers and commodity bulls, the process of commodity market bottoming can be extended with significant sideways consolidation on the charts. In fact, with the global economy in a slowing posture, the Chinese economy

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OUR OPINION... MARKET BY MARKET

Market		*
Stocks	Buy the rate cut rumor, sell the Sept fact!	S
Bonds	Slowing, soft equities plus rate cut hope=uptrend.	L
Dollar	Trend turns lower as US Fed dovish shift settles in.	S
Euro	Rare downtrend in-sync with Dollar weakness.	S
Gold	Triple threat: lower rates, weak \$, geopolitical angst.	L
Silver	Cheap relative to gold which has bullish fundamentals.	L
Copper	Falling Shanghai stocks & more China stimulus.	L
Crude	Sell rallies; OPEC+ unwind of restraint, soft demand.	S
Gasoline	Crude pressure, seasonal demand softening.	S
Nat Gas	Short covering bounces offer fresh short opportunity.	S
Soybeans	China demand surfacing, weaker US\$ supportive	N
Corn	Weak US\$ supportive, early harvest low potential	N
Wheat	Technical neutral, global demand ticks up this week	L
Hogs	Rally offers shorting opportunity	S
L Cattle	Uptrend broken, recession fears weaken outlook	S
Sugar	Above average monsoon boost India production.	S
Coffee	Stronger Brazil exports should pressure.	S
Cocoa	Upcoming W Africa production weighing on market.	S
Cotton	Larger US crop this year 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.



Next Week's Economic Focus

Continued from Previous Page

continuing to languish (and in need of consumer stimulus), and massive bearish trade sentiment more sideways to lower action is likely! However, according to Bloomberg commodity sub-index values, a long list of commodity prices began to fall precipitously (except for soft/exotic commodities) in early June, with the agricultural index the lowest and the industrial metals markets falling by the most significant amount so the markets are becoming very oversold.

S&P GSCI Commodity Index Seasonal

100 = 1st Day of Year / Average from 1993-2023



Source: S&D GSCI/Bloomberg

TRADERS TOOLBOX

OVERVALUED/UNDERVALUED

Fundamental	Technical	COT
OVERVALUED		
RBOB	Bonds	Coffee
Dollar Index	Lumber	Cattle
Crude Oil	Gold	Gold
UNDERVALUED		
Stocks	S&P	Canadian Dollar
Silver	Canadian Dollar	Soybeans
Bitcoin	Natural Gas	Corn

OPTIONS SCAN

Undervalued

Buy Oct Crude \$74.00/\$72.00 bear put @ 0.50

Buy Sept British Pound 1.2750 call @ 0.0095

Buy Sept Bond 123.00 put @ 0-45

Overvalued

Sell Oct Soybean 1080 call @ 18*

Sell Oct Canadian Dollar 72.50 Put @ 0.0078*

Sell Sept Bond 128.00 call @ 0-52*

Trend Reversals

Buy Sept S&P 5530/5620 bull call @ 27.00

Buy Oct Coffee 225.00/215.00 bear put @ 3.75

Buy Oct Cotton 69.00 call @ 1.30

Only use these strategies during periods of high liquidity.

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

THE GOLD TREND IS UP BUT IS OVERBOUGHT!

Other than the gold market, there are very few overvalued futures markets. However, despite the overbought condition, we see the gold market forging new all-time highs in the coming months. Therefore, the gold market will likely continue to be the strongest physical commodity market with the primary bullish forces external, as opposed to internal classic fundamentals. In retrospect, the sharp rallies in gold and silver last week off plummeting US interest rates and general weakness in the dollar highlight the power of external forces on gold prices. While the flight to quality forces could be labeled as an external influence, their impact has been expanding, especially following the attempted murder of former Pres. Trump and Pres. Biden's withdrawal from the presidential race.

On the other hand, the gold and silver markets are not without bullish internal forces as overall global gold demand posted record readings in the second quarter and managed record demand despite evidence from the World Gold Council of softening demand for official coins, jewelry consumption, and jewelry fabrication. However, Western investors have turned bullish toward gold, with OTC demand for gold jumping from 67.9 tons to 329 tons (a quarter-over-quarter jump of 53% or 262 tons). It should be noted that gold ETF and similar financial product demand showed a significant deceleration of the rate of net liquidation in the second quarter, and we think headlines of record price action and increasing US political tensions will overcome small investor fears of ultrahigh prices. Furthermore, the London Bullion Market Association indicated the second quarter average gold price sustained record levels despite a \$300 per ounce rally! While the entry of small investors/specs can indicate the final stages of a bull market, both gold and silver markets tend to have surprisingly large blowoff tops, which could lead gold toward \$3000 and silver toward \$36.00.

With the gold and silver markets showing significant residual strength over the last year, central banks now in easing mode, the dollar likely to slide to five-month lows (because of a proactive US Federal Reserve), and a long list of geopolitical/flight to quality issues entrenched in the headlines, along with increasing levels of tension as the US election approaches, we suggest traders get long gold and silver through risk defined option strategies.

Suggested Trading Strategies

1) **BUY** a December Gold \$2,640/\$2,770 bull call spread at 23.00.

Use an initial objective on the short call of 9.00. Use an initial objective on the spread of 90.00. The initial risk for the bull call spread is 7.00.

Using the somewhat narrow strike price spread of \$130 (given the high volatility), traders might be able to capitalize on what should be massive corrective action from the current overbought technical condition. In other words, purchasing the \$2,650 call might require an outlay of \$4,000, but selling the \$2,780 call reduces the outlay by around \$2,500.

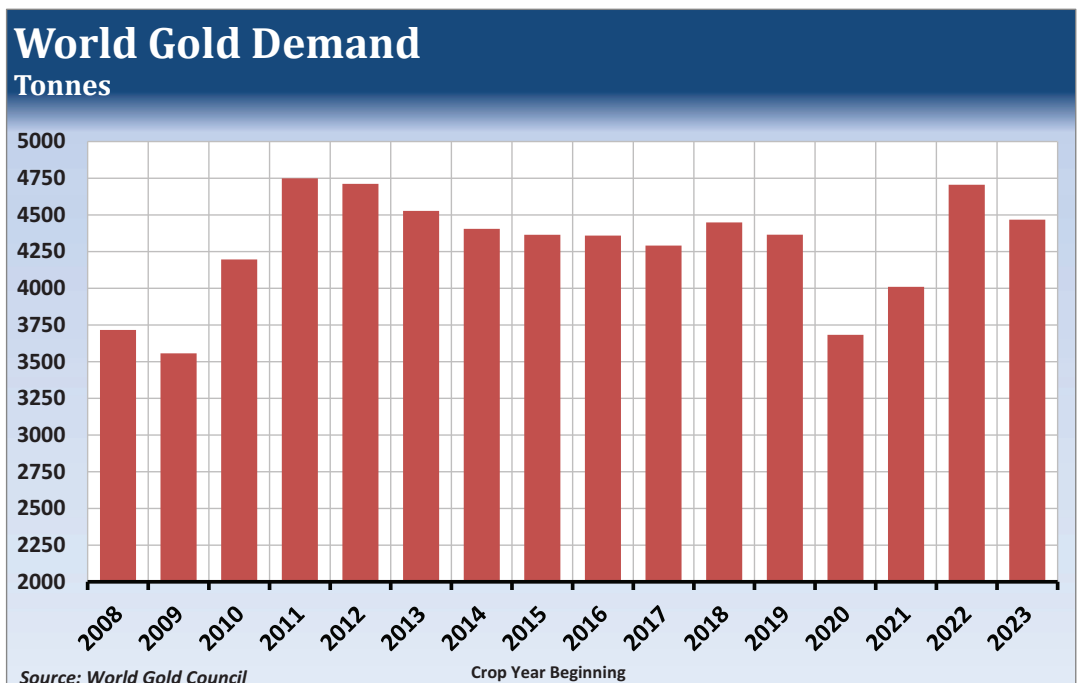
If a significant washout fails to provide an exit for the short call and gold forges fresh all-time highs, the trade could yield 108.

Please refer to the Long-Term Trades section in future issues for updates on this trade as we attempt to navigate what could be an extremely volatile market.

2) **BUY** a December Silver \$32.00/\$35.00 bull call spread at 0.34.

Using the same approach as in the gold trade, we hope to liquidate the short \$35.00 call for a profit on a sharp correction and, in turn, reduce the net cost/exposure of the trade. Use an objective on the short \$35.00 call of 0.39 and hold the long \$32.00 call to expiration.

If unable to exit the short \$35.00 call, use an objective on the spread of 1.20 and risk the entire spread to a price of 0.20.



SOYBEANS: EXTREME BEARISH SENTIMENT BUT CHINA DEMAND FINALLY APPEARS

The soy complex may be ready for a rebound as new crop bean prices have dropped to their lowest level since February 2021, just as China demand begins to surface. Favorable US weather and the weak export trend have been the driving bearish market factors lately. With US crop ratings high in the most productive states and a lack of a significant weather threats through mid-August, the USDA may increase yields in the August 12th Supply/Demand report. Once the crop size forecast plateaus, prices will likely find an interim bottom.

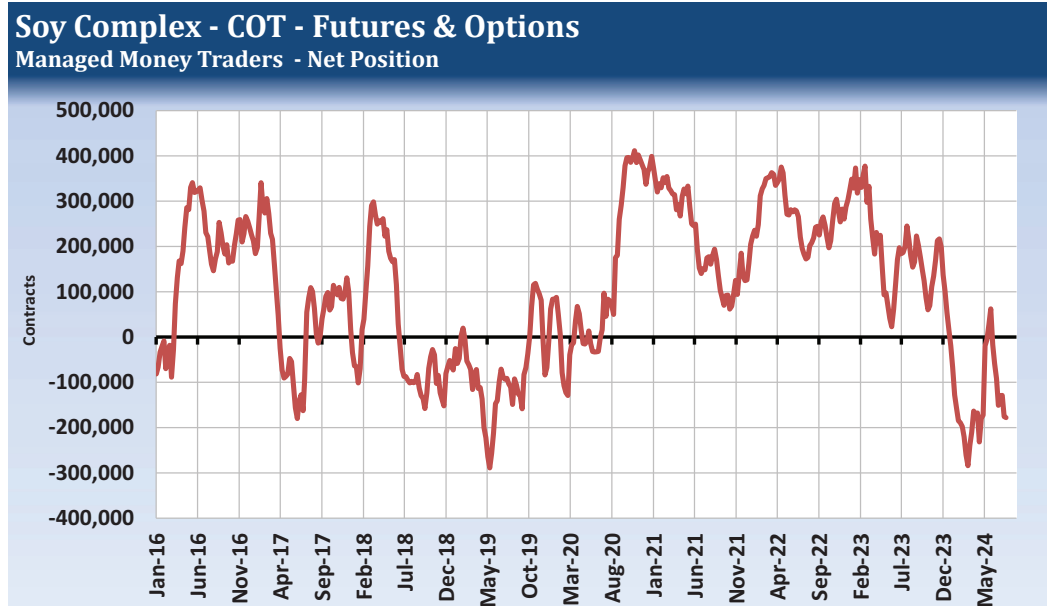
This week, China finally made some new crop bean purchases as lower futures prices increased US export competitiveness. In addition, the US Dollar made a 4-1/2-month low late this week, and the technical outlook points to further weakness. If that occurs, US export demand may finally be able to ramp up and offset the growing supply.

Bearish sentiment across a host of ag commodities is reaching extreme levels. As of 23 July, Managed Money was net short 177,938 contracts across the soy complex and net short 612,537 contracts if you look at grains, soy complex, Kansas City, and Minneapolis wheat. Both are slightly above the record shorts set in 2019. Also, the size of the net short positions is very unusual for this time of year.

The weakening US dollar may become a new bullish force, potentially shifting global export demand back to the US. While November beans may need a period of consolidation to build a technical case for a possible early harvest low, we see promising potential for a bullish shift in demand. This outlook may end the extremely bearish sentiment once the market finds a technical low. We prefer to position on the long side via options to take advantage of the potential increase in demand.

Suggested Trading Strategy

Bull Call Spread: BUY 1 November Bean 1030 call and SELL 1 November Bean 1120 call for a net cost difference of 25 ½ cents. Risk 14 cents on the trade. Take profits if November futures touch 1078.



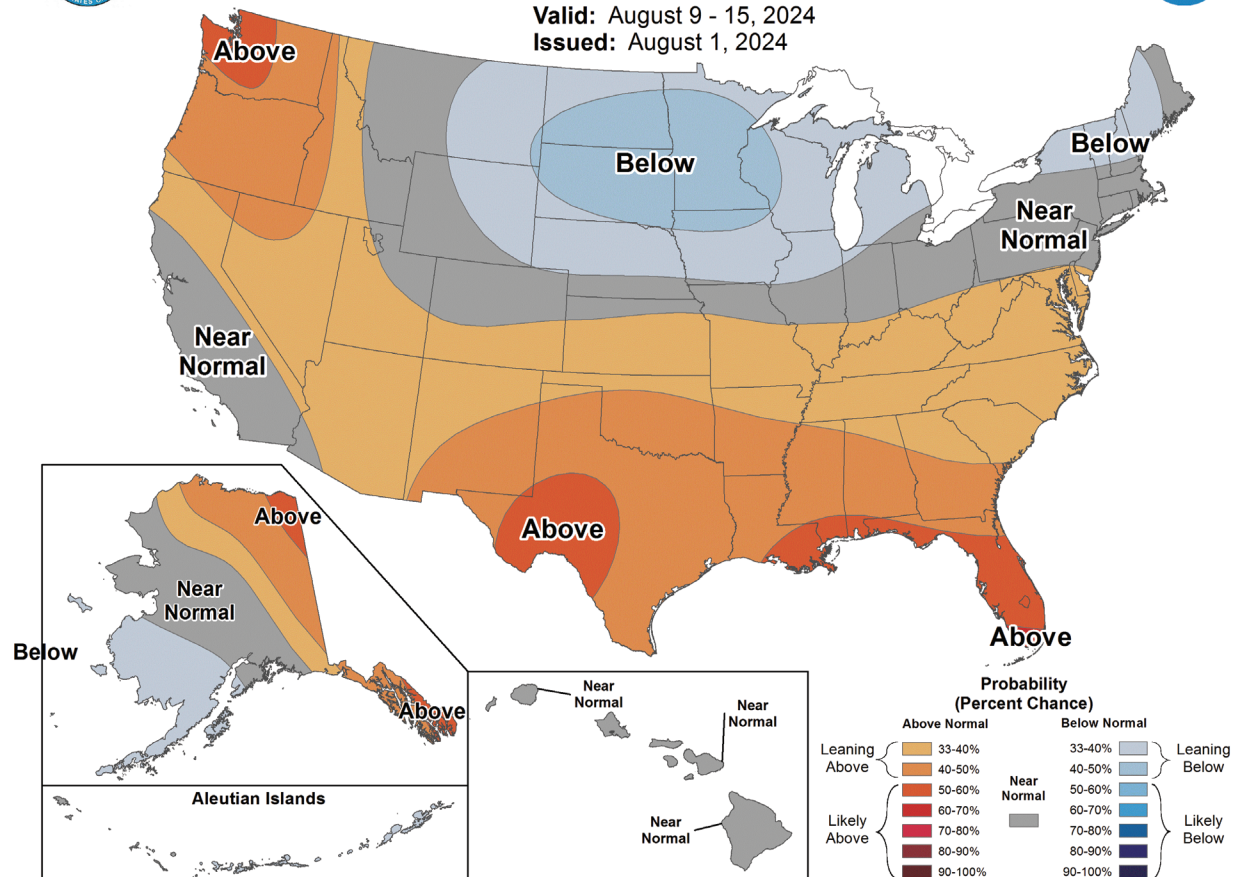
US Dollar Index - Daily Nearby



8-14 Day Temperature Outlook



Valid: August 9 - 15, 2024
 Issued: August 1, 2024



CORN: WEAKER US DOLLAR RAISES CORN DEMAND POTENTIAL

Corn prices have been struggling under the weight of growing supply ideas as pollination across the bulk of the Midwest was favorable, with only small pockets of crop stress in dryland crops in the US Plains. However, the recent extreme bearish sentiment has priced in a larger crop. Any reduction in US harvested acres due to flooding or derecho concerns could trigger a short-coverage rally. Furthermore, corn crops in Ukraine and France are struggling due to adverse weather. Black Sea and EU corn exports are direct competitors with US exports, and lower production in those areas will likely increase US demand. Argentine and US corn are currently near price parity, while Brazil and Ukraine are higher.

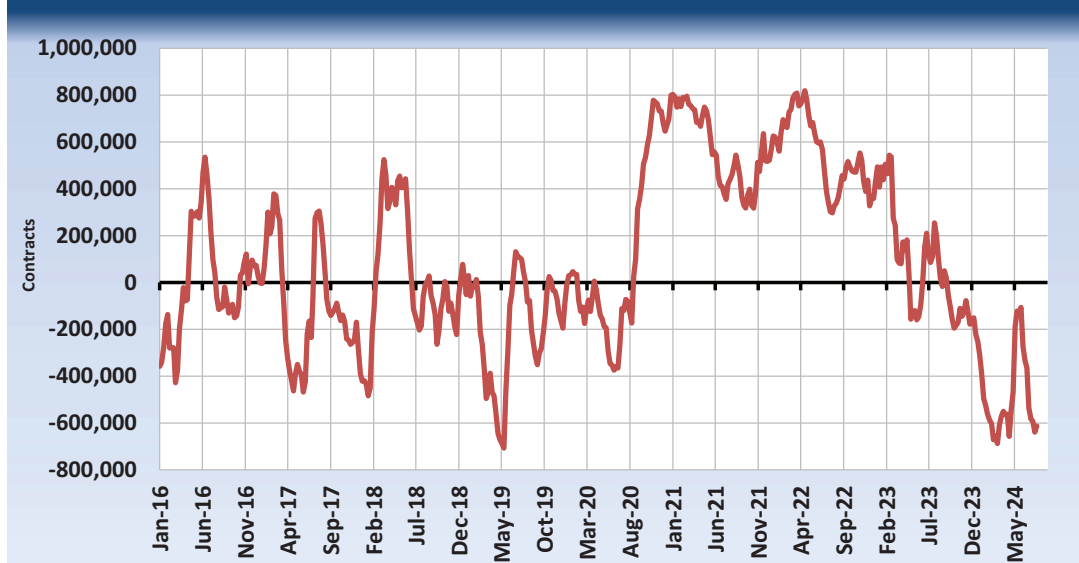
Crop tours across the US Midwest will begin in August and are expected to find very good conditions in the top-producing "I" states. The market should not be surprised with record yields in many areas. StoneX estimated US yields at a new record of 182.3 BPA this week, compared to USDA's current 181. The USDA is expected to bump yields higher in the August 12th Supply/Demand report, with pollination in its final stages.

Long-term monthly support on December corn is in the 350-380 range. While prices could still sink to longer-term support, heavy fund shorts, the weakening dollar, and the possibility of increased exports may begin a demand-led rally. Demand rallies are typically a slow grind higher versus the sharp spikes typically associated with weather markets. We prefer to position long.

Suggested Trading Strategy

Covered Call: BUY 1 December Corn futures at 399. Once filled, SELL 1 December 430 Corn call at the market, which should be near 8 cents or better. Risk 12 cents on the entire trade. If December futures touches 429, take profits on the entire position.

CBOT Grains, Soy Complex, KC&Minn Wheat - COT - Futures & Options Managed Money Traders - Net Position



Corn - December 2024



COFFEE PRICES MAY BE HEADING LOWER

After reaching a two-and-a-half-year high last month, coffee prices have been under pressure, falling to a four-week low on Thursday. A shortage of Robusta coffee due to lower production in southeast Asia and potential shipping bottlenecks from Middle East tensions were a key source of support during the second quarter. However, Brazil's 2024/25 Robusta crop is starting to reach global markets, which should help erode support for coffee prices going forward.

The market's focus should return to increasing production from the world's top two Arabica-growing nations, Brazil and Colombia. Brazil's 2024/25 Arabica crop is more than 80% harvested, with the USDA projecting full-season output at 48.2 million bags, which compares to 44.9 million during the 2023/24 season and would be Brazil's third largest Arabica crop. In addition, this should keep Brazil's coffee exports at high levels throughout the rest of this year.

Colombia's monthly coffee production pace has improved from the nine-and-a-half-year low in August 2023. Production during the 12 months ending June 2024 was 12.147 million bags, the highest since the 12 months ending June 2022. Also, monthly production has increased each of the last ten months. This rising production should increase Colombia's exports, increase world supplies, and further pressure prices.

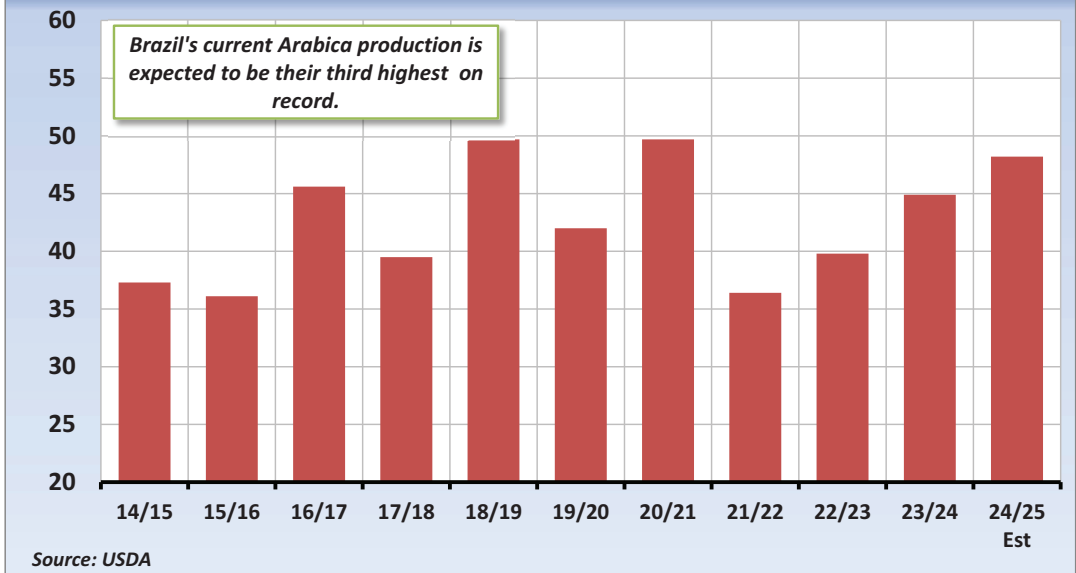
This week's flare-up of Middle East tension could result in fresh near-term supply bottlenecks that may give a near-term boost to the coffee market. Coffee prices look to be heading for lower levels, however, and a near-term rebound would present an opportunity to approach the short side of the market.

Suggested Trading Strategies

- 1) **SELL** December Coffee at 233.50 with an objective of 218.75. Risk the trade to 237.25.
- 2) **BUY** a November Coffee 220.00/205.00 bear put spread at 4.80 with an objective of 13.50. Risk the option strategy to 2.60.

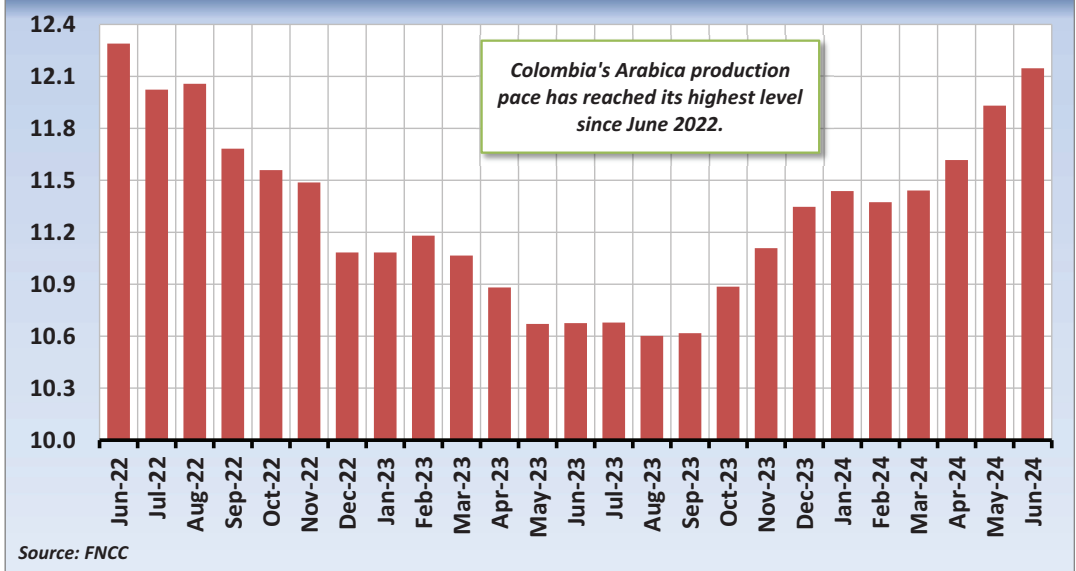
Brazil Arabica Production

Million 60-kilo Bags by Season



Colombia Arabica Production

12-Month Total/Monthly/Million 60-kilo Bags



POSITIVE NON-FARM PAYROLL STREAK IN JEOPARDY?

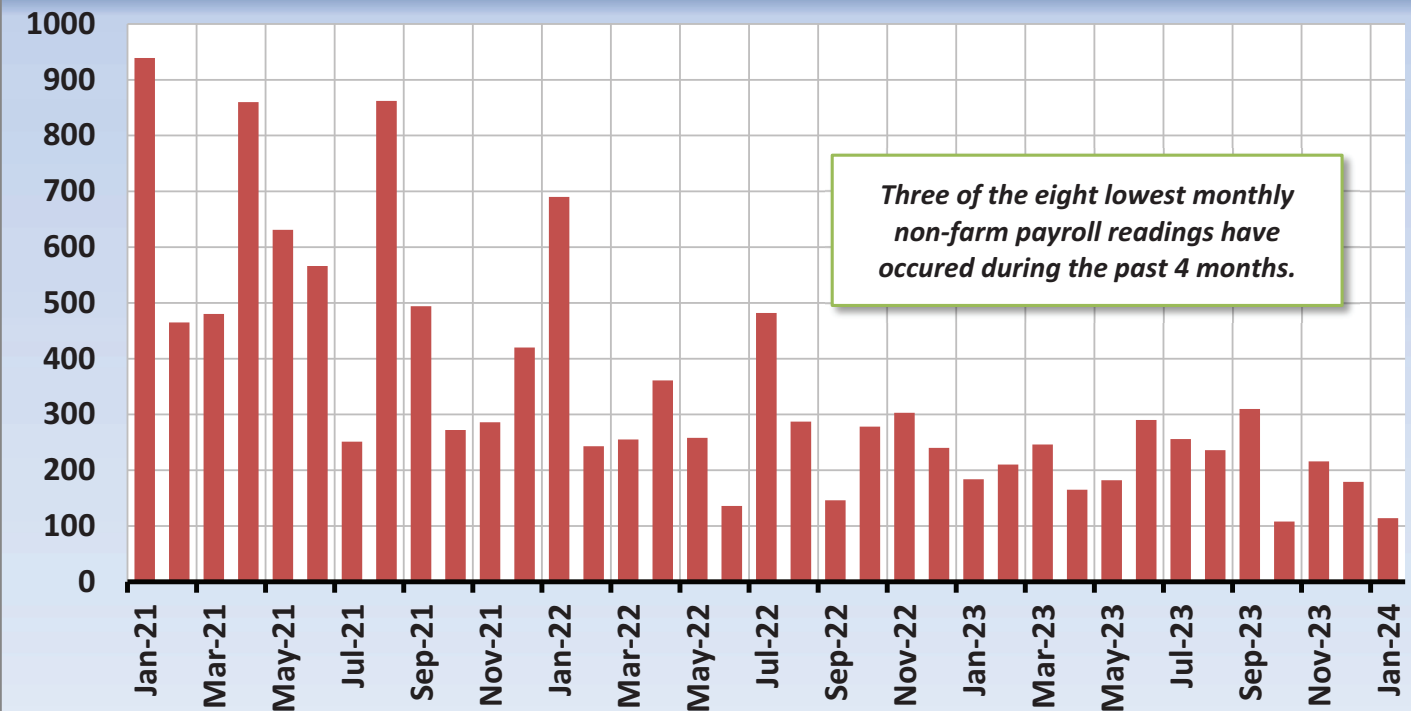
Friday's Employment Situation report saw non-farm payrolls increase by 114,000 jobs in July, well below trade forecasts calling for an increase of 170,000 to 190,000 jobs. However, this was the forty-third month with a positive result. In fact, since the massive decline of 20.477 million in April 2020, there has only been one month (December 2020) with a negative non-farm payroll result.

Friday's report also saw revisions to the non-farm payroll results for May (down 2,000 to 216,000) and June (down 27,000 to 179,000). Throughout the last 43 monthly readings, the average monthly increase for non-farm payrolls was 371,209 jobs. As the US economy recovered from the COVID pandemic, there were four monthly increases in non-farm payrolls above 800,000, with the largest occurring in July 2021 with an increase of 939,000.

However, a notable contraction in non-farm payroll increases has occurred over the past two years. Over the past 43 months, eight readings have come in under 200,000. Three of those eight have happened during the past four. July's non-farm payroll increase was the second smallest since December 2020, with the smallest occurring in April, with an increase of 108,000 jobs.

The headline US unemployment rate saw a 0.2% increase in July to 4.3%, which is still below the old "full employment" threshold of 5% but is also the highest rate since October 2021. As a result, there is an increasing chance that US non-farm payrolls could see a negative result over the next few months. With a positive result streak broken, the Federal Reserve will have more incentive to reduce benchmark US interest rates soon.

U.S. Non-Farm Payrolls Monthly Net Change in Thousand Jobs



Source: BLS

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.
Gold 7/19/24	Long an October Gold \$2,460/\$2,600 bull call spread at \$18.90.	Use an objective of \$91.00 and risk the trade to \$15.00.
Gold 8/2/24	BUY a December Gold \$2,640/\$2,770 bull call spread at 23.00.	Use an initial objective on the short call of 9.00. Use an initial objective on the spread of 90.00. The initial risk for the bull call spread is 7.00.

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 APPLE PRODUCERS

US apple production during the 2023/24 season saw a 14% increase from the previous season and had the third largest output total on record.

Courtesy of the USDA, these are the world's 12 apple producers (in tonnes):

China	45,000,000
European Union	12,208,100
USA	5,030,069
Turkey	4,850,000
India	2,410,000
Iran	2,241,100
Russia	1,843,600
Brazil	1,297,400
Ukraine	1,278,900
South Africa	1,225,000
Chile	870,000
Mexico	812,000



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COMMITMENTS OF TRADERS

Data As of July 30, 2024
Non-Commercial & Non-Reportable
Combined Futures & Options

Market	Net Position	Net Change	4-Wk Net Change	52-Wk Ranking
Grains				
CBOT Grains	-523,344	-11,857	26,803	4
Corn	-266,808	14,258	38,911	10
KC Wheat	-32,734	-131	3,376	14
Minn Wheat	-25,641	790	-1,895	21
Rice	-58	664	-1,027	2
Soybeans	-199,216	-23,505	-5,473	3
Soyoil	-39,461	-32,108	-44,655	11
Soymeal	51,146	15,084	-29,369	20
Wheat	-57,320	-2,610	-6,635	20
Livestock				
Cattle	69,222	10,838	4,138	35
Feeder Cattle	-7,104	-56	298	4
Hogs	11,983	5,706	13,533	19
Metals				
Copper	33,699	-13,869	-28,938	35
Gold	278,896	-18,275	-3,212	48
Platinum	20,365	887	-10,240	34
Silver	65,059	-3,002	-15,767	35
Softs				
Cocoa	29,130	393	2,152	15
Coffee	64,347	-3,982	-12,583	37
Cotton	-33,117	-4,076	-11,244	1
Lumber	#N/A	#N/A	#N/A	#N/A
Milk	-1,380	1,131	802	52
OJ	4,689	-466	-580	41
Sugar	16,159	4,211	-58,609	11
Currencies				
Canadian	-203,355	-34,756	-89,772	1
Dollar	18,205	-702	791	36
Euro	47,064	-23,106	12,088	11
Energies				
Crude Oil	301,465	-24,965	-33,460	28
Gas (RBOB)	25,357	-11,056	-28,644	1
Heating Oil	18,699	-2,740	-10,509	5
Natural Gas	-67,659	5,112	19,372	41
Financials				
Bonds	48,426	31,053	13,009	49
E-Mini S&P	98,261	26,252	55,877	49
Dow Jones \$5	16,875	2,237	5,805	33
T-Notes	-591,523	-44,521	-179,190	26
	Extreme			Ranking 1 = Shortest Short
	5% of Extreme			52 = Longest Long