



## THIS ISSUE

### Near Term:

Bullish:	Corn S&P 500 Bonds
Bearish:	Soybeans Dollar Index

### Spreads:

Long Palladium/Short Platinum

### Other:

Higher Oil Prices Should Boost US Oil Rig Count

August 9, 2024

## Economic Focus

It is apparent that the market has shifted from expectations of modest global slowing to a debate over the potential to achieve a soft landing. However, signs of declining inflation are emerging in traded markets and cash prices. On the other hand, the road to lower inflation is unlikely to be direct or quick, with sticky inflation seen in pockets and standard scheduled US inflation measures like PPI. US PPI has posted four increases above the Fed's 2% target over the last six months, one unchanged reading, and only one reading, when annualized, would be below. In retrospect, PPI posted minimal declines in October, November, and December, igniting the initial belief that inflation was "coming down." Inflation has "leveled out" but is at a level that's somewhat limiting to the number of potential cuts ahead.

Some physical commodities (grains, copper, cocoa, cotton, silver, and cattle) are seeing improved demand, potentially from cheaper pricing. Certainly, the shift from a neutral Fed policy to easing combined with a softer dollar provides a macroeconomic underpinning.

Furthermore, many physical commodity markets like corn, soybeans, Minneapolis wheat, KC wheat, palladium, and cotton are approaching significant oversold positioning by small specs and funds, which can be a contrary signal of impending lows!

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## MAJOR ECONOMIC EVENTS

### August 13

- German ZEW Survey
- Producer Price Index

### August 14

- UK CPI
- Consumer Price Index

### August 15 - Retail Sales

- Chinese IP/Retail Sales
- Jobless Claims
- Philly Fed Survey
- Import & Export Prices
- Industrial Production
- Business Inventories
- NAHB Housing Market Index
- Treasury International Capital

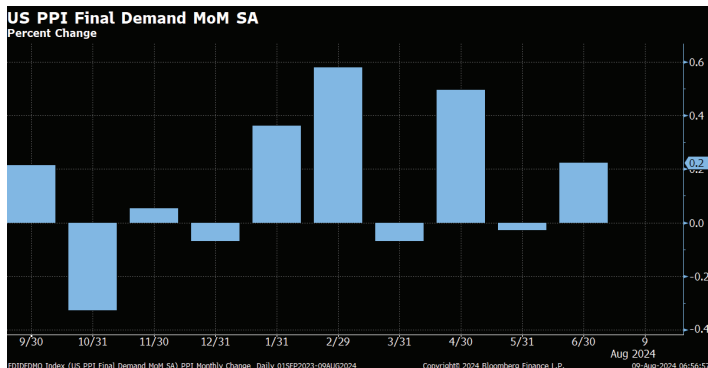
### August 16 - Housing Starts

- Consumer Sentiment

## OUR OPINION... MARKET BY MARKET

Market		*
<b>Stocks</b>	Weaker NVIDIA; deflating investment; rate cuts known.	S
<b>Bonds</b>	Slowing apparent; more gains off 3 cut hope?	L
<b>Dollar</b>	Dovish Fed & slowing; sell rallies above 103.00.	S
<b>Euro</b>	Win by default from soft \$, but EU slowing negates.	N
<b>Gold</b>	Chinese CB purchases extend Asia premiums again.	L
<b>Silver</b>	Slowing economy vs rising ETF holdings & rate cuts.	L
<b>Copper</b>	LME stocks rising but Shanghai falling; value @ \$4.00.	L
<b>Crude</b>	Getting expensive given slowing & OPEC+ Oct hike.	S
<b>Gasoline</b>	Softer seasonal/cyclical demand & rising US stocks.	S
<b>Nat Gas</b>	Record US power demand but seasonal favors bears.	S
<b>Soybeans</b>	China demand not enough to offset growing supplies.	S
<b>Corn</b>	Record yields, US demand set to increase.	N
<b>Wheat</b>	Global supplies shrinking, US demand bumps up?	L
<b>Hogs</b>	Technical point lower, cash prices weak.	S
<b>L Cattle</b>	Sharp break this week uncovers buying.	L
<b>Sugar</b>	Weekly reversal from 16-month low should support.	L
<b>Coffee</b>	Potential Brazil frost should miss coffee areas.	S
<b>Cocoa</b>	Fed rate cuts may improve NA demand outlook.	L
<b>Cotton</b>	Hot & dry Delta could fuel short-covering rally.	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.

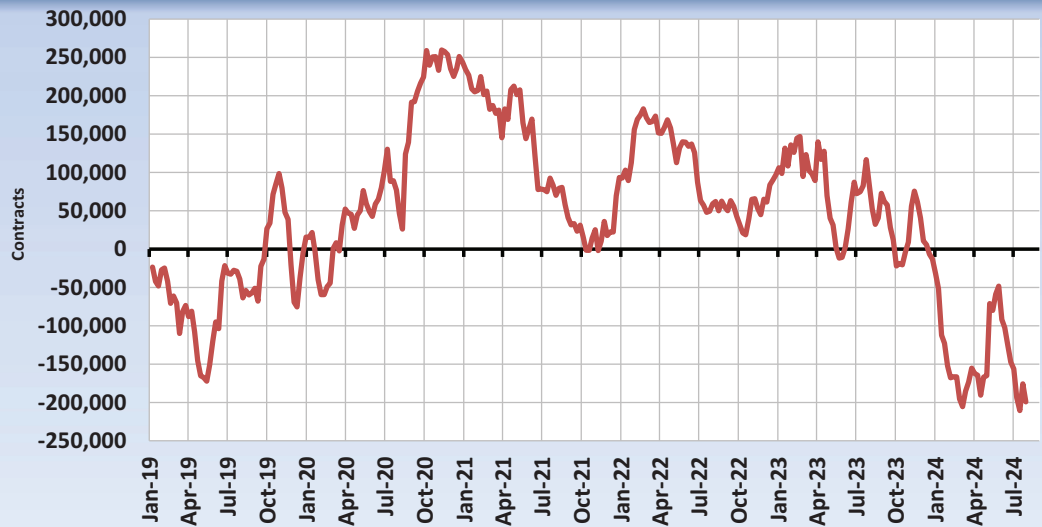


# Next Week's Economic Focus

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While some financial markets have not reacted in typical fashion to the Fed's shift into supportive policy standing, equities, treasuries, gold, silver, palladium, and platinum should benefit from the typical market pattern where economic slowing concerns result in a ramping up of the potential number of rate cuts ahead! Currently, the markets are generally projecting two US rate cuts this year. However, evidence of further slowing and softer inflation will likely push expectations of three 25-basis point cuts this year (which ultimately is unlikely to occur).

## Soybeans - COT - Futures & Options Non-Commercial and Non-Reportable Combined - Net Position



## TRADERS TOOLBOX

OVERVALUED/UNDERVALUED		
Fundamental	Technical	COT
<b>OVERVALUED</b>		
RBOB	Crude Oil	Crude Oil
Natural Gas	Bitcoin	Silver
Hogs	Japanese Yen	Cocoa
<b>UNDERVALUED</b>		
Bonds	Cattle	Palladium
Gold	Cotton	Corn
Notes	Coffee	Soybeans

### OPTIONS SCAN

#### Undervalued

**Buy Oct Sugar 18.75 put @ 0.69**

**Buy Sept Swiss Franc 1.1600 put @ 0.0100**

**Buy Oct Live Hog 71.00 put @ 2.00**

#### Overvalued

**Sell Sept RBOB \$2.56 call @ 0.0410\***

**Sell Oct Coffee 267.50 call @ 2.70\***

**Sell Dec Copper \$3.60 put @ 0.0700\***

#### Trend Reversals

**Buy Oct Crude \$73.00/\$70.00 bear put @ 0.80**

**Buy Dec Bond 127.00/132.00 bull call @ 0-48**

**Buy Oct Natural Gas \$2.30/\$2.10 bear put @ 0.085**

Only use these strategies during periods of high liquidity.

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

# FINANCIAL MARKETS: WILL TYPICAL MACRO PATTERNS PREVAIL?

In recent history, global equity markets have tended to view "bad" economic data as positive for stock prices. Furthermore, equities probably saw a key low on August 5th (5250), especially given the S&P's four-day high-to-low slide of 500 points in the S&P and a July high to early August slide of 600 points, as that washout corrected a significantly overbought condition and all-time highs! However, the typical bullish bias from a falling rate environment will be discounted if investors are doubtful of a soft landing. Another potentially dominating negative in the equity markets is the questioning of the delay in achieving the AI miracle and the three-month slide in Nvidia shares. On the other hand, we suspect the US economy will continue to show resiliency, inflation will come down slowly, the Fed will keep investor sentiment positive, and long-term bargain hunting buying off the AI phenomenon will surface. Furthermore, the bull camp should benefit from a lack of active alternative investments.

The trade is embracing slowing economic activity and "hopes of declining" inflation, which should foster interest in treasuries. Fortunately for the bull camp, treasury bonds have recently forged a three-day high-to-low decline of five points, and



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# FINANCIAL MARKETS: WILL TYPICAL MACRO PATTERNS PREVAIL?

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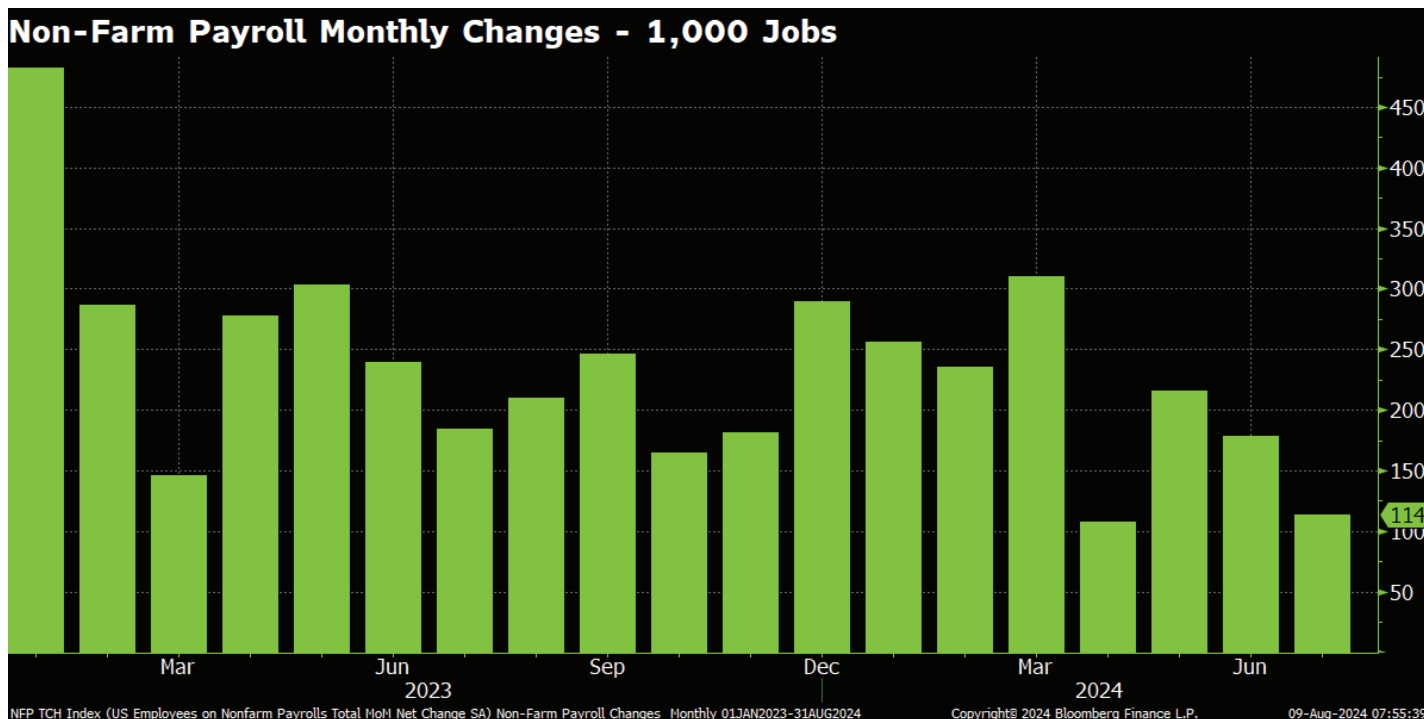
yields have edged above 4%. Other supportive technical issues are the recent 70,000 contract slide in the net spec and fund long in bonds (estimated into the recent low), a solid rejection of the first retracement of the April through August rally, and a sharp rejection of a temporary spike below a key 2024 pivot price of 122-00 in the December bond contract.

However, the outlook for the dollar is less definitive, with the index sitting in the lower quadrant of the 2024 price range. Nonetheless, the US economy is slowing, and there is a chance slowing could be more than anticipated. US political developments and exploding government deficits are likely to result in money fleeing the dollar for less incendiary currencies. In the end, the dollar is in a definitive and aggressive downtrend pattern on the charts, and classic fundamentals confirm bearish technical signals. Optimal short sale pricing in the dollar is the June through present downtrend channel resistance

line at 103.72 and that price might be obtainable in the upcoming environment. A more likely short entry price in the December dollar index is 103.39.

## Suggested Trading Strategies

- 1) **BUY** the September S&P futures at 5170 with an objective of 5598. Risk the position to 65.00.
- 2) **BUY** December bonds at 121-08 with an objective of 125-10. Risk the trade to 120-07.
- 3) **SELL** the December Dollar Index at 103.39 with an objective of 101.80. Risk the position to 103.74.

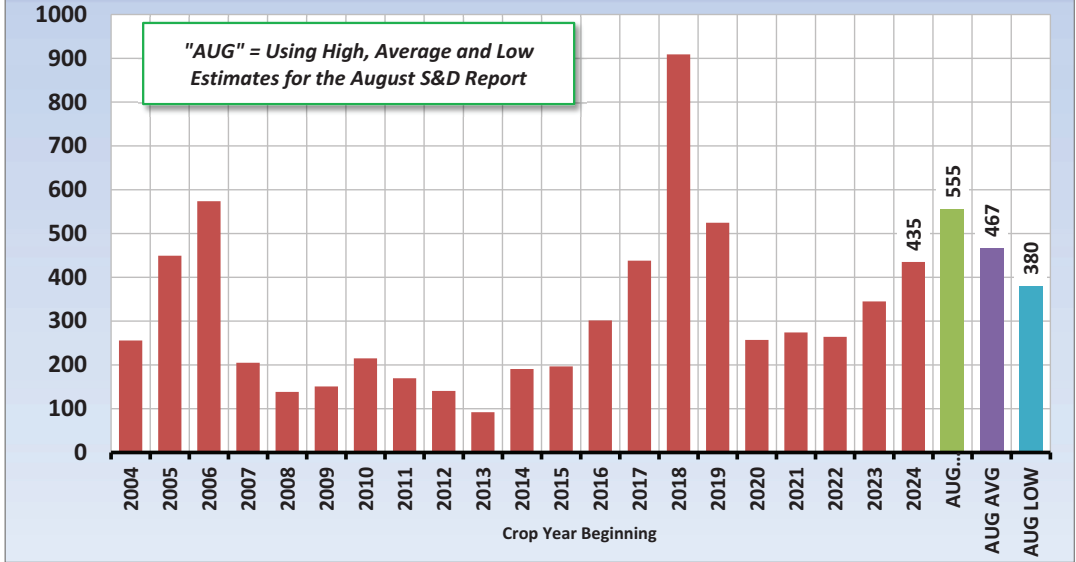


# SOYBEAN UPDATE: USDA EXPECTED TO CONFIRM LARGE US CROP

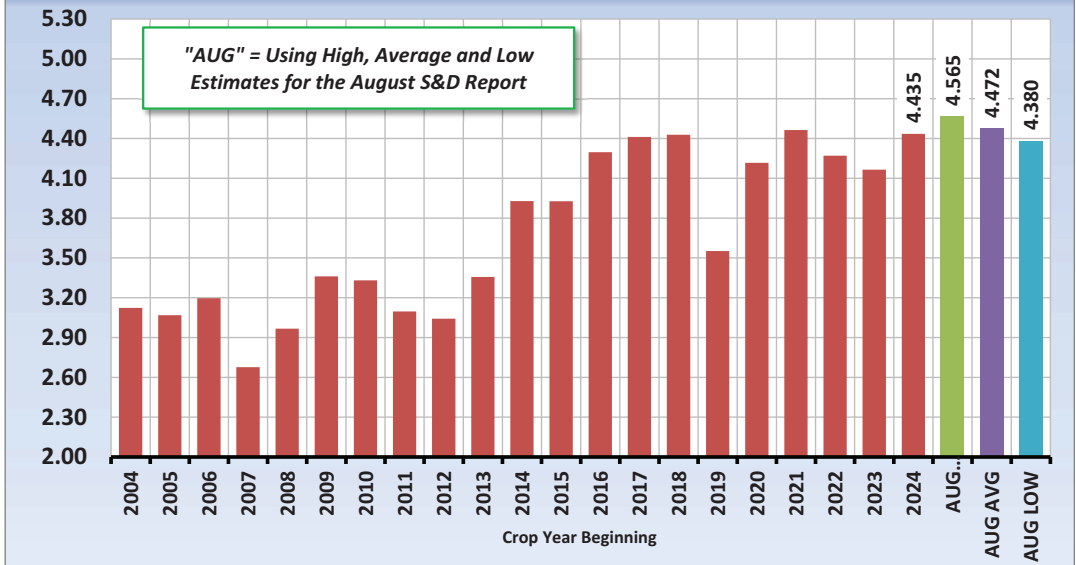
Financial, metals, and energy markets have rebounded from the highly emotional selloff early this week. Still, the soy complex remains in its lower trend before USDA offers a fundamental supply and demand update on Monday morning. Traders anticipate that the USDA will update their bean yield projection to a record high of 52.5 bushels per acre, up from 52.0 in July. New crop ending stocks are expected to rise to 467 million bushels, up 32 million from July. Harvested acres are expected to decline a little over 100,000, but the drop may be more significant due to the flooding earlier in the season in Iowa and Minnesota. It will be difficult for the report to have long-term bullish implications for prices unless harvested acres are way below expectations. Even if new crop 2024/25 ending stocks were unchanged from last month at 435 million bushels rather than the anticipated 465 million, that still represents a nearly 100 million bushel increase from the 2023/24 season.

November beans hit a new 4-year low this week as US weather continues to be favorable, and China's demand for US beans has yet to be large enough to get traders' attention, but the US is competitive. Soybean stocks

## US Soybean Ending Stocks Million Bushels



## US Soybean Production Million Bushels



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# SOYBEAN UPDATE: USDA EXPECTED TO CONFIRM LARGE US CROP

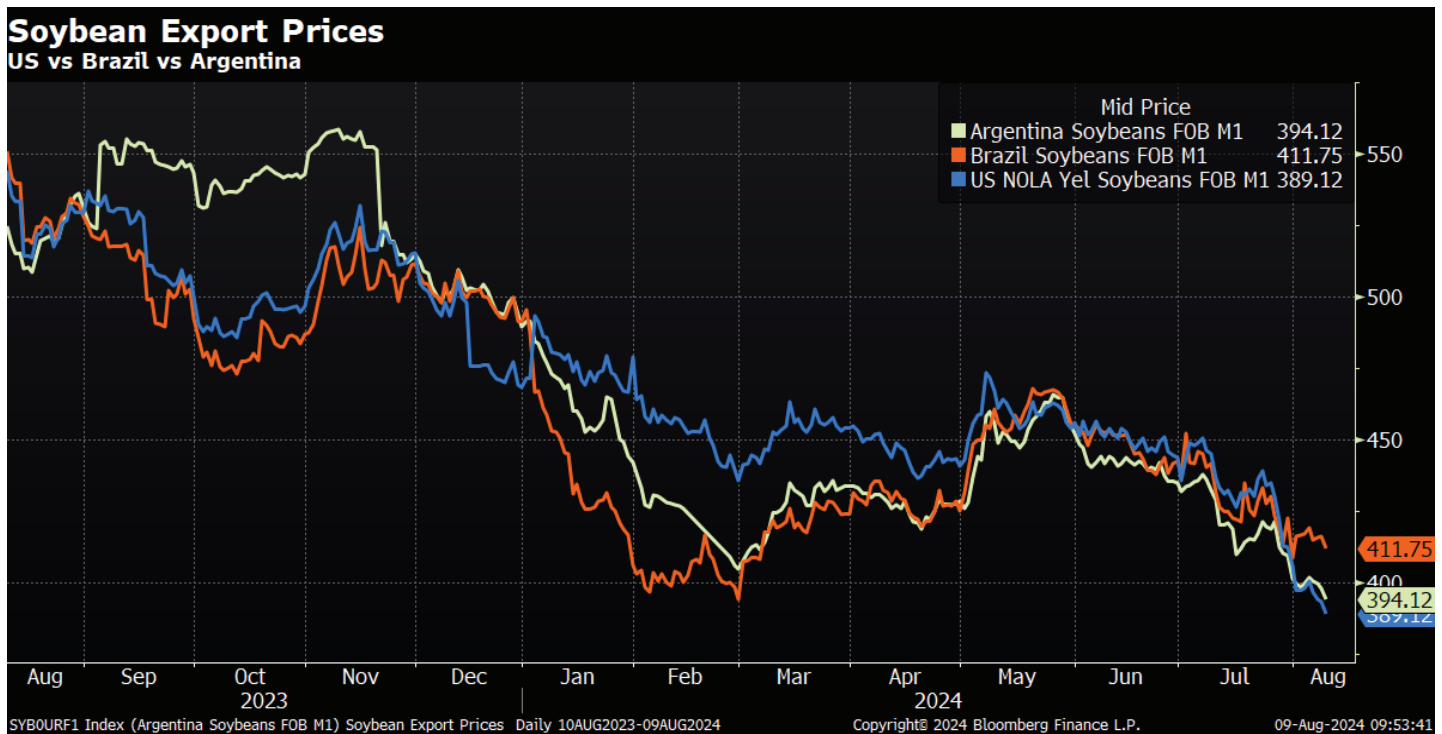
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in China are building up after record purchases from Brazil in July, and China may be looking to hedge itself against a potential Trump victory in November. The Argentine oilseed workers strike continues, but it has had little effect on US prices, although Argentina is reportedly losing \$50 million a day in export revenue.

We don't see much light at the end of the tunnel for bean prices until we get closer to harvest time, even though the market is heavily bearish heading into Monday's report. The bull camp must hope for much larger demand from China to offset the growing US supply. Minor short-covering rallies are expected, but the long-term price trend remains lower and will likely be reinforced by USDA's numbers on Monday.

## Suggested Trading Strategy

**Covered Put Option:** **SELL** 1 November Bean Futures on a rally to 1022. Once filled, **SELL** 1 November 9670 put at the market which should be near 15 cents. Risk 15 cents on the entire position. Take profits on the entire position if November futures hits 972.



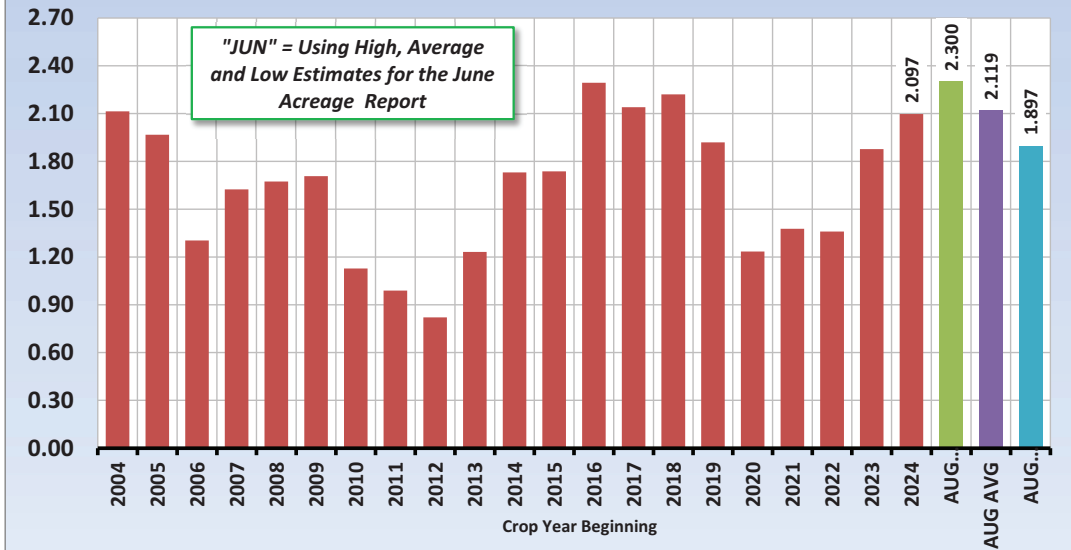


# CORN UPDATE: NEW CONTRACT LOWS BUT NEARING LONG-TERM SUPPORT

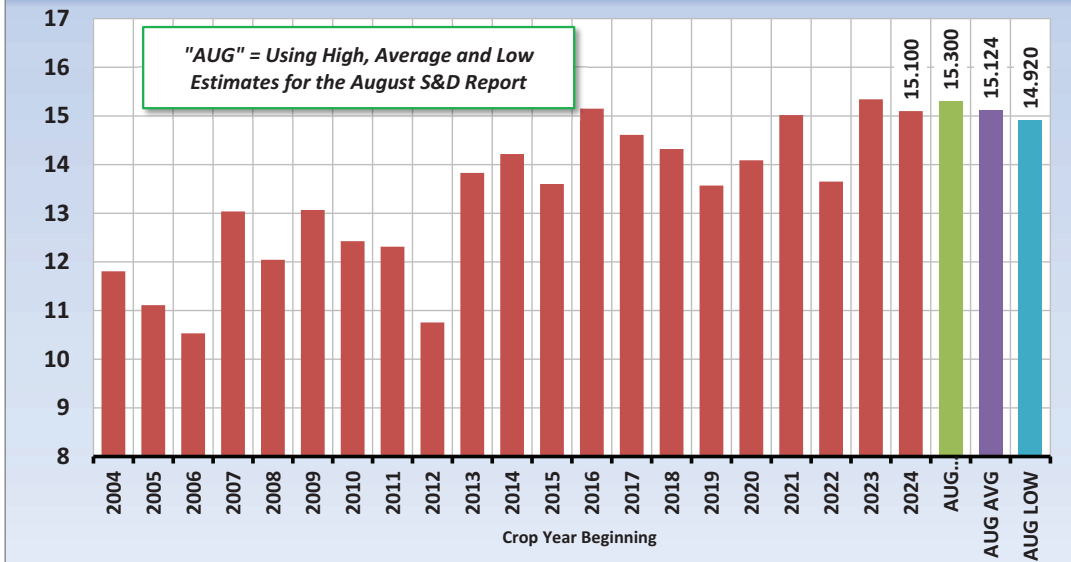
December corn prices have trended lower this week and set a new contract low. However, prices are nearing long-term monthly support, which could result in buying on any sharp bearish price reaction to Monday's report. USDA's August fundamental update Monday morning is expected to show a record yield of 182.1 bushels per acre, up 1.1 BPA from USDA's July number. New crop ending stocks are expected to be 2.096 billion bushels, nearly unchanged from 2.097 in July. Ethanol and exports may be increased to offset the higher yield. Harvested acres are expected to be down 500,000, which will help offset some of the higher production and keep ending stocks from growing significantly.

This month's sharp fall in the US Dollar has yet to translate into a significant increase in US corn export demand. However, we believe demand for US corn will increase over time as global competitors' crops trend lower, especially in the EU and Black Sea regions. A demand-led rally is likely once prices make a harvest low, which may come after the Pro Farmer crop tour scheduled to start August 19. The multi-day tour is expected to find record yields in many

## US Corn Ending Stocks Billion Bushels



## US Corn Production Million Bushels



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# CORN UPDATE: NEW CONTRACT LOWS BUT CLOSING IN ON LONG-TERM SUPPORT

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areas. In previous "big crop" years, the harvest low can often come earlier than normal.

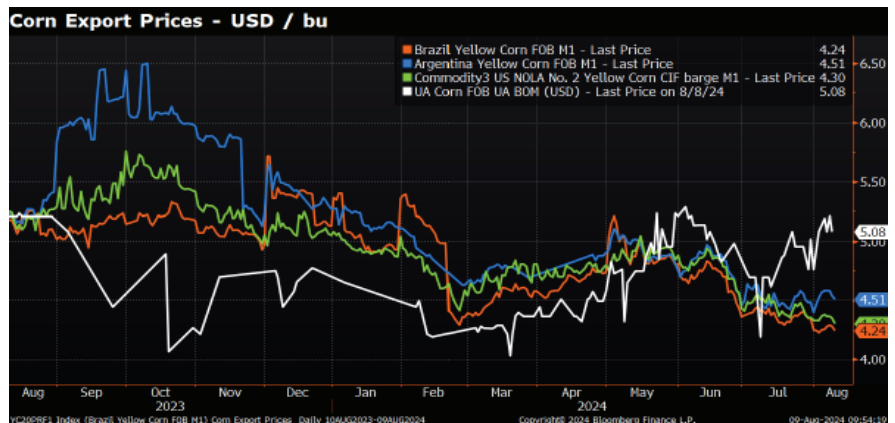
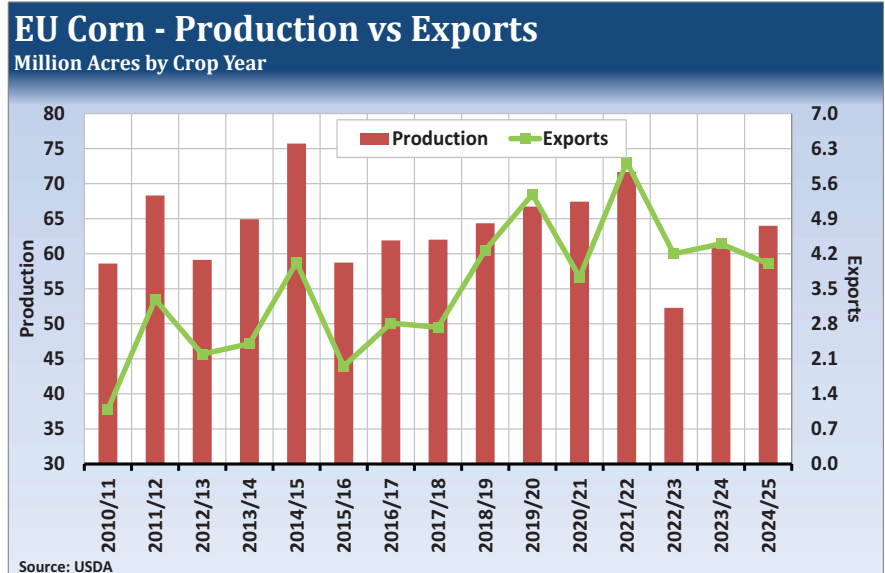
Long-term support on December corn is in the \$370–380 area. Short positions should be covered as prices move down near that level, and traders can consider lining up on the long side for a post-harvest bounce.

## Suggested Trading Strategy

**BUY** December Corn Futures on a break to 384. Risk 12 cents from entry. Once filled, if prices rally to 418, raise the stop loss to 408 and hold the position for a final objective of 435.

## Option Trade Strategy

**Bull Call Spread:** **BUY** 1 December Corn 390 call and **SELL** 1 December 420 call for a net cost of 11 cents. Risk the entire premium of 11 cents. Take profits on the entire position if December futures touch 424. If December falls to 384 first, take profits on the short 420 call and leave the 390 long. Take profits on the 390 call if prices hit the final objective of 435.





# FED RATE CUTS MAY HELP PALLADIUM GAIN ON PLATINUM

Palladium's primary demand source has been its use as an auto catalyst, as it replaced the use of platinum due to its much-cheaper price. In addition to palladium being from \$500 to \$1,750 cheaper than platinum between 2003 and 2015, there were production issues with the South African mining industry which led to a downtrend in their platinum output. The World Platinum Investment Council projected South Africa's 2024 platinum production at 3.871 million ounces, their second-lowest output total over the past ten years.

After reaching a record high price of \$3,380 in March 2022, palladium prices shifted from a \$2,100 premium to platinum prices in March 2022 to a \$140 discount to platinum in early June of this year. South Africa continues to produce two-thirds of the world's platinum, it is the second largest producer of palladium (71,000 tonnes in 2023) behind Russia (87,000 tonnes last year).

Following the initial price shock from Russia's invasion of Ukraine, automakers shifted their palladium sourcing away from Russia to South Africa, Canada and Zimbabwe. Post-COVID supply chain issues led to a sharp decline in US domestic motor vehicle production that also weighed heavily on palladium prices over the past two years. However, US light vehicle sales have climbed well above their post-COVID lows and had a sizable jump in July.

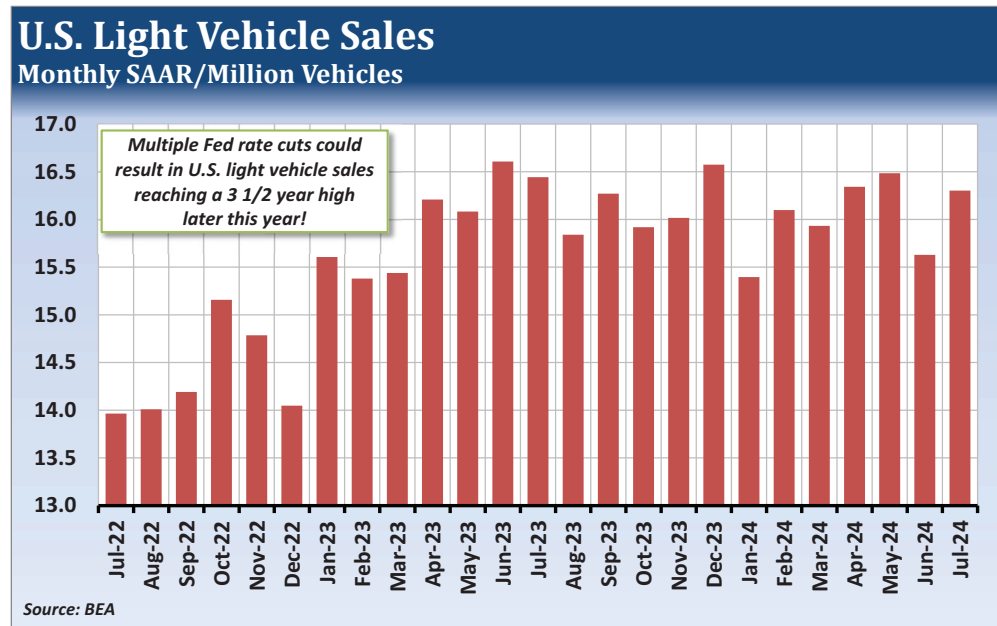
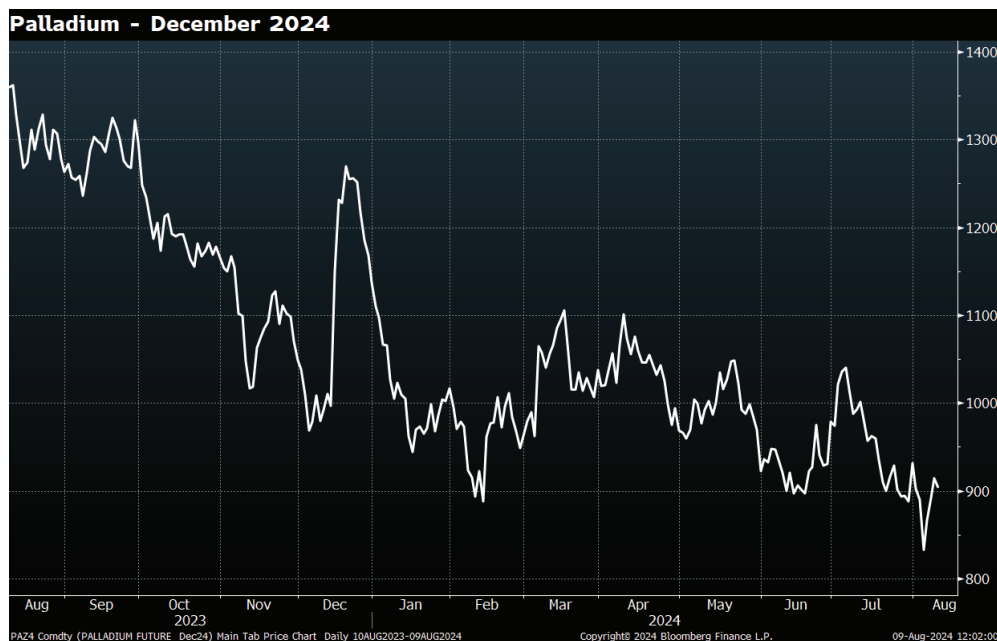
As palladium prices more than tripled, their auto catalyst demand started to decline. Johnson Matthey estimated that global automotive demand for palladium fell from 9.675 million ounces in 2019 to 8.145 million during 2024. Over the same period, global automotive demand for platinum increased from 2.589 million ounces in 2019 up to 3.299 million in 2024. With palladium prices now at a discount to platinum, palladium should start to regain global auto catalyst demand share.

The potential for multiple Fed rate cuts by the end of this year should give an additional boost to vehicle sales, which

will boost overall auto catalyst demand. Given their current price levels, if that increased vehicle sales trend continues through year-end, palladium should benefit more than platinum. As a result, palladium prices can regain a premium to platinum prices.

## Suggested Trading Strategy

**BUY** 1 December Palladium and **SELL** 2 January Platinum at -\$60 with an objective of +\$25. Risk the trade to -\$80.



# HIGHER CRUDE PRICES NEEDED TO BOOST OPERATING US OIL RIG COUNT

Since 2016, there have been three periods when crude oil prices pulling out of a longer-term bottom have prompted increased operating rig counts. Crude oil prices have moved higher from the multi-month lows seen Monday, and if the upward trend can continue, we could see increases in Baker Hughes US oil rig counts.

The August 2020 low in the US oil rig count (127 rigs) occurred several months after the front-month crude oil price fell into negative territory in April 2020 in the early days of the COVID-19 pandemic. By the time crude oil prices climbed back above \$100 in March 2022, the US oil rig count had risen back above 500. From May 2016 to November 2018, the US oil rig count increased from 316 rigs to 888 rigs. Crude oil prices rallied from \$26 in February 2016 to \$76 in October 2018.

The latest reading of 485 rigs is the fifteenth week in a row that US operating oil rigs have come in below 500. Since September 2023,

there have only been two weekly readings at 510 rigs or higher. The post-pandemic high is 627 in December 2022.

The current operating rig count is far below the peak reading of 1,609 rigs in October 2014. US crude oil production has climbed to a record high of 13.4 million barrels per day (bpd) and has consistently held above 13 million bpd since October, excluding one week in January. With the Saudis and Russians limited by their OPEC Plus output quotas, the US is far and away the world's largest crude oil-producing nation.

Although Monday's low did not take out the December 2023 lows, it was the lowest price for crude since February. If crude oil prices can maintain an uptrend from current levels, that should encourage a surge in US crude oil production, which could lead to a longer-term uptrend in the Baker Hughes US oil rig count.



# 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	<b>BOUGHT a December Gold \$2,640/\$2,770 bull call spread at 16.00.</b>	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.

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## TOP 12 CHERRY PRODUCERS

**US cherry production during the 2023/24 season saw a 32% increase from the previous season and reached the largest output total in 4 years.**

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

Turkey	900,000
China	760,000
European Union	657,435
Chile	502,000
United States	421,104
Russia	332,200
Uzbekistan	286,900
Iran	278,800
Ukraine	255,600
Serbia	171,000
Azerbaijan	55,500
Belarus	47,700



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## COMMITMENTS OF TRADERS

Data As of August 6, 2024  
Non-Commercial & Non-Reportable  
Combined Futures & Options

Market	Net Position	Net Change	4-Wk Net Change	52-Wk Ranking
Grains				
CBOT Grains	-456,434	66,910	107,833	14
Corn	-212,412	54,396	85,893	21
KC Wheat	-29,041	3,693	5,607	28
Minn Wheat	-25,665	-24	1,343	20
Rice	226	284	21	4
Soybeans	-190,526	8,690	20,009	7
Soyoil	-54,934	-15,473	-54,916	3
Soymeal	61,706	10,560	18,208	22
Wheat	-53,496	3,824	1,931	28
Livestock				
Cattle	55,194	-14,028	-5,160	19
Feeder Cattle	-8,733	-1,629	-1,417	1
Hogs	13,651	1,668	14,657	20
Metals				
Copper	27,683	-6,016	-38,047	32
Gold	271,515	-7,381	-40,609	43
Platinum	13,640	-6,725	-16,688	18
Silver	62,587	-2,472	-17,704	32
Softs				
Cocoa	27,363	-1,767	412	12
Coffee	61,264	-3,083	-12,478	34
Cotton	-37,658	-4,541	-17,768	1
Lumber	#N/A	#N/A	#N/A	#N/A
Milk	-2,043	-663	509	50
OJ	4,561	-128	-901	40
Sugar	-6,009	-22,168	-73,159	6
Currencies				
Canadian	-185,609	17,746	-47,959	2
Dollar	15,835	-2,370	-3,441	32
Euro	69,895	22,831	6,107	16
Energies				
Crude Oil	274,396	-27,069	-58,248	19
Gas (RBOB)	12,535	-12,822	-33,916	1
Heating Oil	13,167	-5,532	-10,073	1
Natural Gas	-49,380	18,279	26,434	48
Financials				
Bonds	49,365	939	21,812	49
E-Mini S&P	79,297	-18,964	53,999	47
Dow Jones \$5	7,348	-9,527	-10,310	24
T-Notes	-544,675	46,848	-39,504	32
	<b>Extreme</b>	Ranking 1 = Shortest Short		
	<b>5% of Extreme</b>	52 = Longest Long		