



August 16, 2024

THIS ISSUE

Near Term:

Bullish: Wheat
Crude Oil

Bearish: Soybeans
Sugar
Cotton

Long Term:

Bullish: Wheat

Other:

Record High US Corn & Soybean Yields

Economic Focus

Now What?

With the markets embracing a 25 basis point rate cut in the next Fed meeting (the CME Fed funds watch tool pegs the probability of a September rate cut at 68.5%) and the markets also anticipating another cut in November, the benefit of falling rates is likely factored into most commodity markets. Unfortunately, for many agricultural markets, widespread expectations of lower US rates have not translated into favorable export pricing capable of stirring demand. Therefore, it is likely that additional evidence of slowing from China and the US will keep selling pressure on physical commodities. However, with the Middle East approaching a boiling point, "out of nowhere" overnight developments could cause compacted price volatility in energies, precious metals, currencies, and equities. Therefore, with oil correcting sharply last week and gold prices stabilizing and within

striking distance of all-time highs, traders should implement crude and gold bull call spreads on weakness in futures prices.

While there are production issues in Ukraine and Russia, the potential for lower Argentine corn acres next year, and speculation that US corn planting will fall next year, the potential for record US yields continues to lay on grain prices like a wet blanket. However, we do not see a bottom in grain

prices until trade estimates of record yields and very large production forecasts populate the headlines. On the other hand, short positioning throughout small speculators, funds, noncommercial, and managed money in the corn market is already excessive, and another drop could bring about a major price low. Unfortunately, while the grain markets might be near long-term lows, the timing for a major low may be deeper into the fall season.

MAJOR ECONOMIC EVENTS

August 19

- Leading Indicators

August 20

- Euro Zone/Canadian CPIs

August 21

- FOMC Meeting Minutes

August 22

- Euro Zone "Flash" PMIs
- Chicago Fed National Index
- Jobless Claims
- Existing Home Sales
- KC Fed Manufacturing Index

August 23

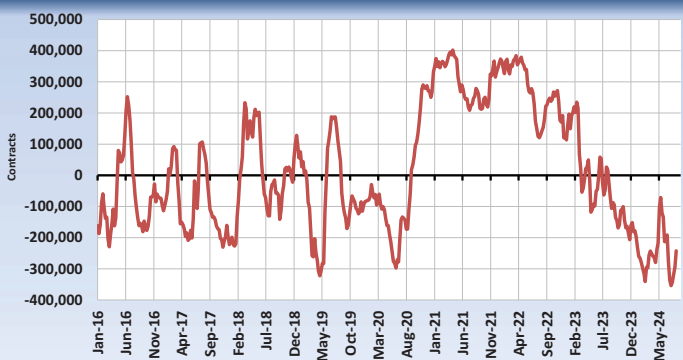
- New Home Sales
- Jackson Hole Fed Symposium

OUR OPINION... MARKET BY MARKET

Market		*
Stocks	So far, slowing is a reason to be long stocks.	L
Bonds	Range trade as slowing known & inflation is steady.	N
Dollar	Trade 103/102 range; US has no macro econ edge.	N
Euro	Trend is your friend & winning by default.	L
Gold	M.E. simmering, \$ vulnerable, interest rates down.	L
Silver	Buy cheap w/stops below \$27.64; ETF holdings up.	L
Copper	Demand concerns countervailed by S.A. strike threat.	L
Crude	Falling US oil inventories & ongoing M.E. support.	L
Gasoline	Corrective wave off rising stocks & slowing demand.	S
Nat Gas	Surprise inventory drop not a reason to end bear mkt.	S
Soybeans	New contract lows this week, no bottom yet.	S
Corn	Tech outlook weak, but US export prospects brighten.	N
Wheat	Exporter stocks falling, nearing end of long bear slide.	L
Hogs	Long-term fundamentals bearish, sell rallies.	S
L Cattle	Rally failed this week, more downside expected	S
Sugar	Brazil CS production ahead of last season's pace.	S
Coffee	Potential Brazil frost damage will provide support.	L
Cocoa	WA expected to have larger production next season.	S
Cotton	Larger US, record Brazil production will pressure.	S

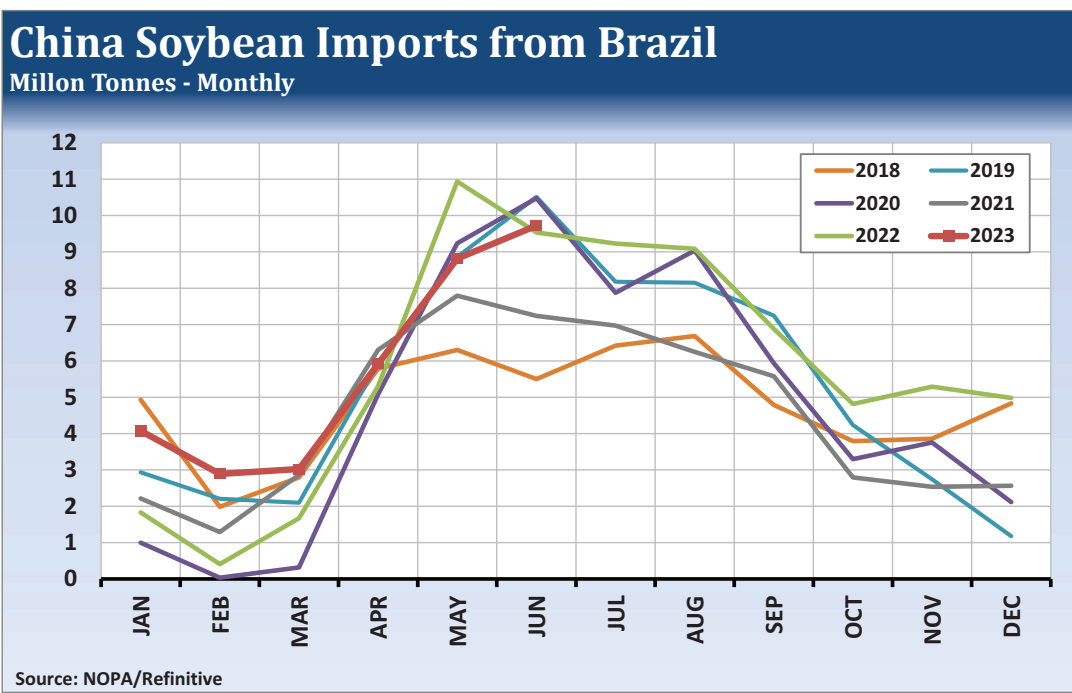
* For traders/commercials who need to be in a market, L = Long, S = Short, N = Neutral
These reflect our opinions for the next 7 days. They may contradict longer term viewpoints expressed elsewhere in this publication.

Corn - COT - Futures & Options
Managed Money Traders - Net Position



SOYBEAN UPDATE: RECORD YIELDS AND SLOW DEMAND LIMITS RALLIES

Soybean meal and bean prices fell to new contract lows this week, finally uncovering some buying and resulting in a price rebound mid-week after USDA forecast record US yields on Monday. US growing weather continues to be non-threatening, and a lack of additional Chinese demand has resulted in November beans closing out the week at their lowest level since late 2020. The widely followed Pro Farmer crop tour starts on the 19th and will likely find record yields in many areas. Also, an additional headwind for prices looms as bean harvest is set to begin very soon in the southern US growing regions.



US demand will be critical for the bean market heading into 2025. It is a near certainty the US bean crop will be a record, and without a significant uptick in new crop bean demand, ballooning US ending stocks would likely derail any sustained rally effort. New crop China demand has been way behind normal so far this

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TRADERS TOOLBOX

OVERVALUED/UNDERVALUED		
Fundamental	Technical	COT
OVERVALUED		
RBOB	Natural Gas	Coffee
Natural Gas	Palladium	Crude Oil
Hogs	Canadian Dollar	ULSD
UNDERVALUED		
Euro	Soybean Oil	Corn
Bonds	Coffee	Canola
Soybean Meal	Canola	Soybeans

OPTIONS SCAN
Undervalued
Buy Sept Canadian Dollar 73.00 put @ 0.0027
Buy Sept RBOB \$2.27 put @ 0.0107
Buy Oct Cocoa 6900/6500 bear put @ 135
Overvalued
Sell Sept Bond 123.50 put @ 0-45*
Sell Oct Cattle 182.00 call @ 3.60*
Sell Sept ULSD \$2.40 call @ 0.0320*
Trend Reversals
Buy Sept Natural Gas \$2.15 put @ 0.059
Buy Oct Crude \$73.50/\$68.50 bear put @ 0.85
Buy Sept Copper \$4.11/\$4.17 bull call @ 0.0270
Only use these strategies during periods of high liquidity.
* When selling options, only risk to double the premium received.

SOYBEAN UPDATE: RECORD YIELDS AND SLOW DEMAND LIMITS RALLIES

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season, although this week's weekly export sales showed over 1 million tonnes sold to China. This was China's 1st large purchase of new crop beans, but so far, the total Chinese new crop US purchases are 1.098 million tonnes, well below last year's total by this time of the year of 4.97 million tonnes.

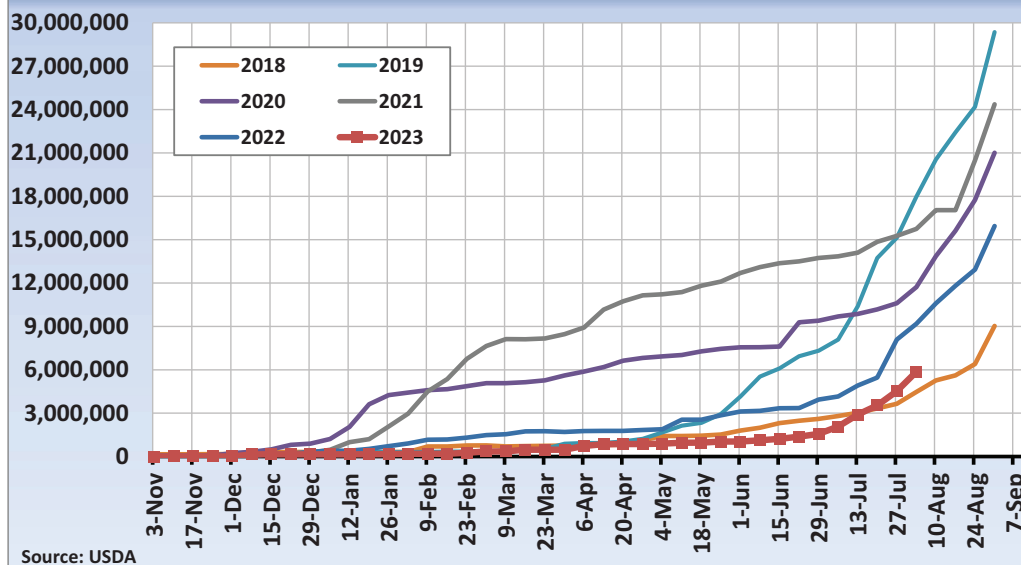
On the other hand, Brazilian bean exports to China are up 3.5% year-to-date, but the heavy shipment pace has depleted much of Brazil's exportable supplies. China purchased a record amount of beans from Brazil in July, and perhaps that was part of their plan to hedge against a Trump victory and subsequent trade war. If Trump's poll numbers begin to improve, it is possible that China will turn to US beans this fall. However, at the current time, November beans are squarely on 4-year lows and show no signs of a bottom despite oversold conditions.

Suggested Trading Strategy

SELL 1 November Futures on a bounce to 968. Once filled, **SELL** 1 November 940 put at the market, which should be near 17 cents or better. Risk 15 cents on the entire position. Take profits on the entire position if November Futures touch 925.

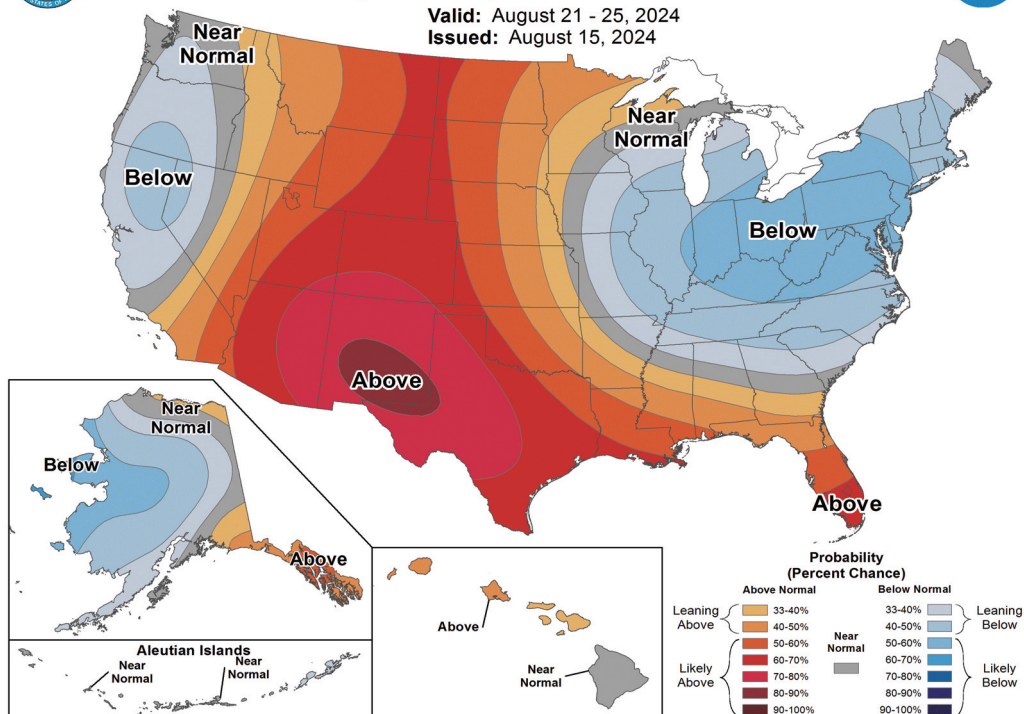
US Soybean Export Sales - Outstanding Sales

Next Marketing Year - Weekly - Metric Tonnes



6-10 Day Temperature Outlook

Valid: August 21 - 25, 2024
Issued: August 15, 2024

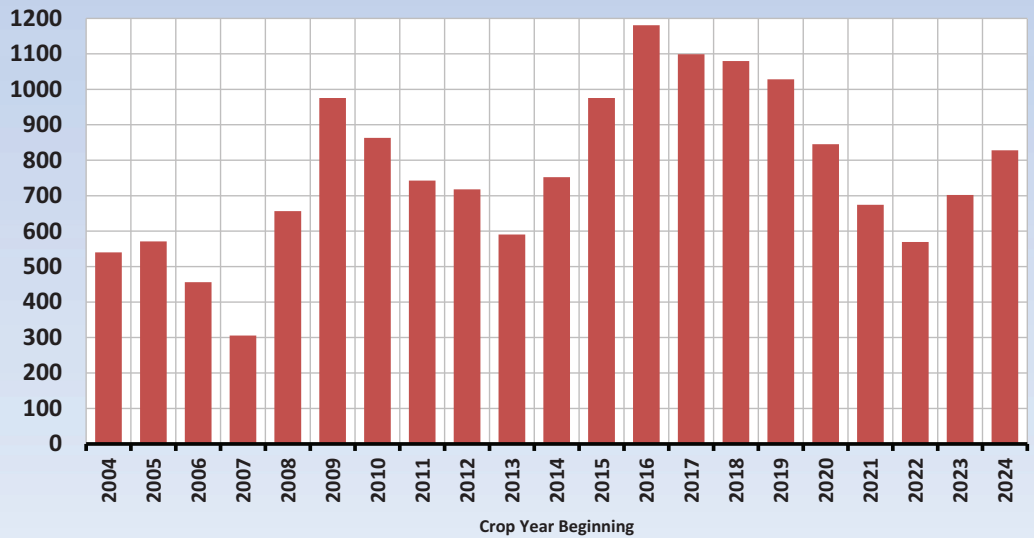


WHEAT UPDATE: US SUPPLIES GROWING WHILE EXPORTER SUPPLIES SHRINK

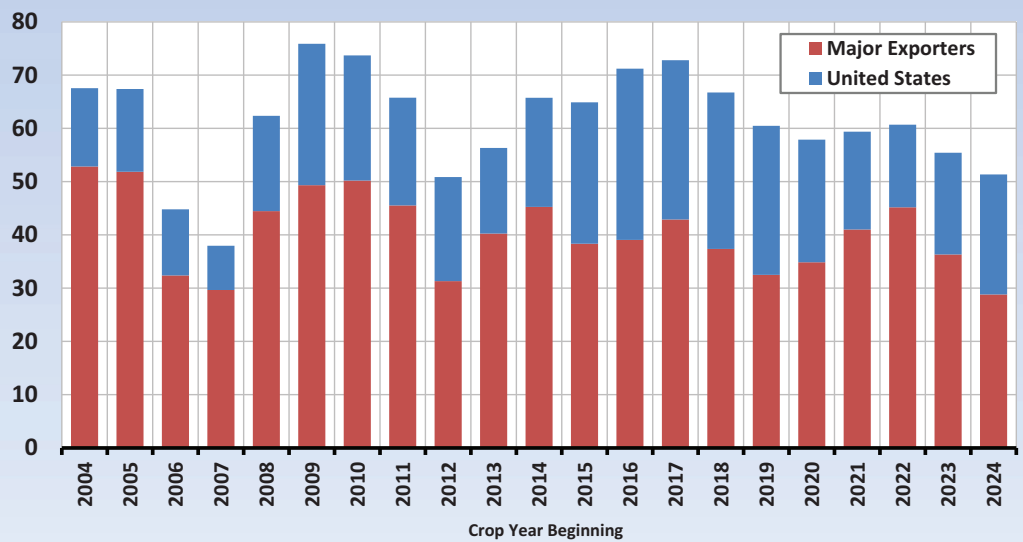
US wheat prices have suffered from tepid US demand and Black Sea competition for export market share all year as Russian and EU prices have consistently undercut US offers. However, this week US SRW wheat spot FOB price is \$5.83 per bushel, compared to Russia at \$5.93 and France at \$6.19. Adverse weather has resulted in significant problems with the French and German wheat crops as Germany is expecting their lowest output since 2018 at 18.76 million tonnes, down 12.8% from last year, and French production is expected to be down 25% this season to 26.3 million tonnes, their worst crop since 2016.

Major global wheat exporter supplies in 2024 are expected to shrink just below 30 million tonnes, which would be the lowest in 22 years and compares to 36 million in 2023 and 45 million in 2022. US supplies will be significantly higher than the last few years which could mean the US claws back some of the lost export market share as competitor's exports decline. Furthermore, if the Middle East conflict worsens, it could draw in surrounding countries, which may be one reason Egypt tried to buy a historically large 3.8 million tonnes of wheat this week. Egypt only bought

US Wheat Ending Stocks Million Bushels



Wheat Major Exporters + US - Ending Stocks Million Metric Tonnes



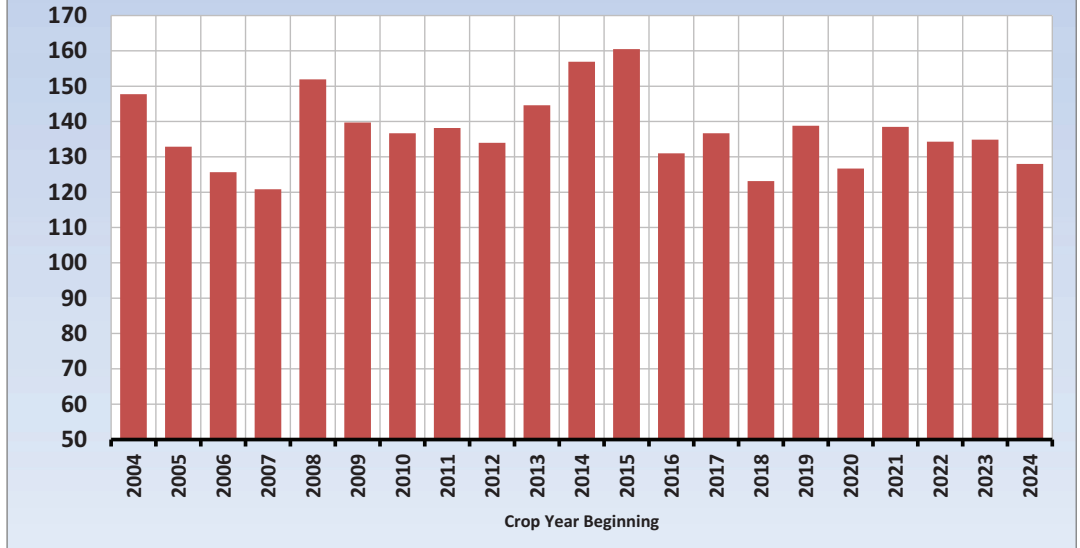
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WHEAT UPDATE: US SUPPLIES GROWING WHILE EXPORTER SUPPLIES SHRINK

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280,000 tonnes, a small fraction of the total tender, due to their financing terms raising the cost of the wheat beyond their comfort level. Chicago wheat has been in a downtrend since the price spike in May 2022 and, in November of last year, hit a 3-year low at 527 ½. December Chicago prices may test last year's low before finding significant support. Still, weekly stochastics are deep in oversold territory and suggest the \$2.20 per bushel price drop since late May of this year may be close to running its course.

EU Wheat Production Million Metric Tonnes



Long Term Strategy

BUY 1 December Chicago Wheat at 550 or lower. Once filled, **SELL** 1 590 December Chicago Wheat call at the market, which should be near 17 cents or better. Risk 15 cents on the entire position. Take profits on the short call if December drops to 535, then leave the long futures on. If prices rally first, take profits on the entire position if December futures touch 592.

Chicago Wheat - December Continuation - Weekly



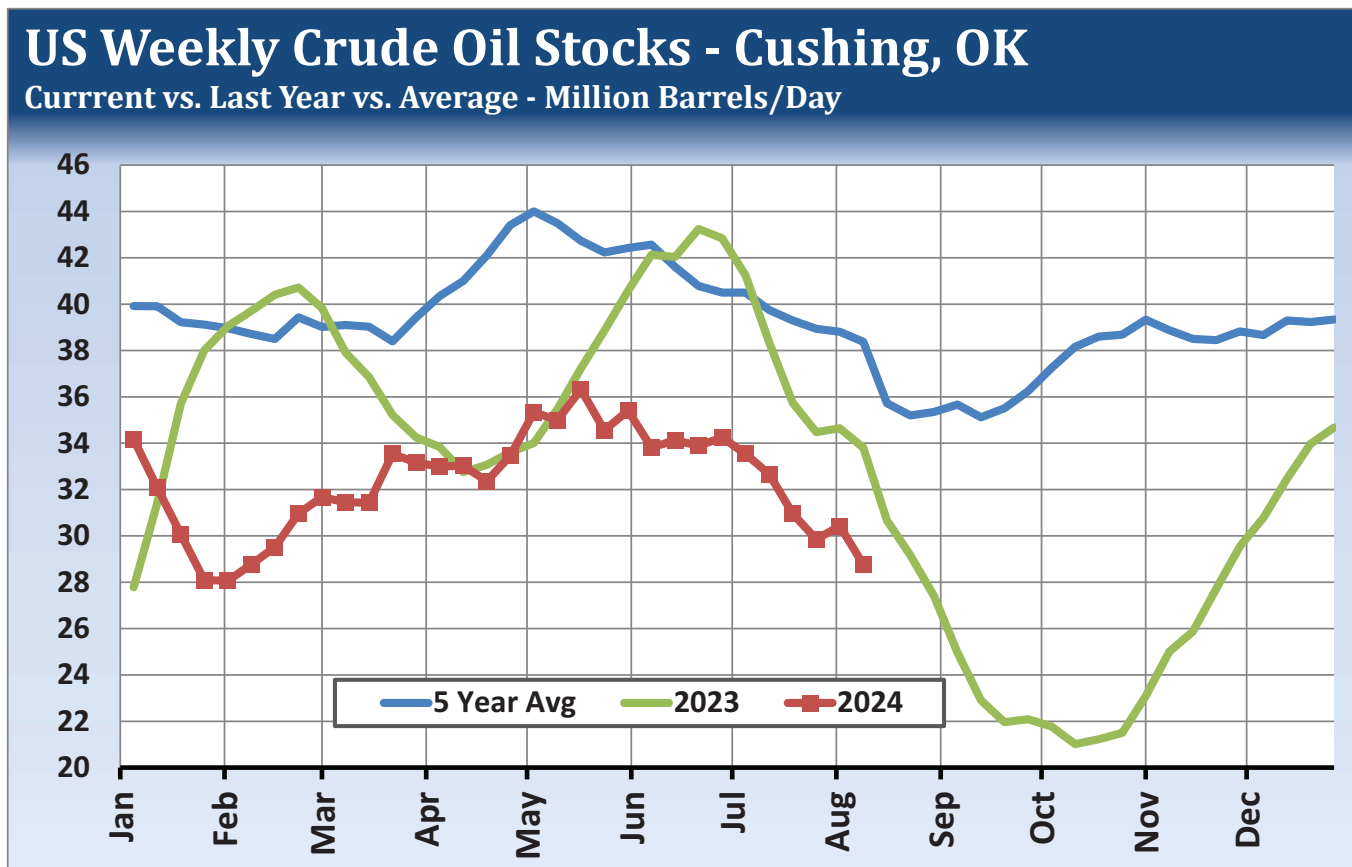
US CRUDE: WHAT THE WORLD NEEDS?

In retrospect, the weakness in crude oil prices from the late July highs is justified by growing evidence of slackening Chinese, US, and European energy demand. However, the potential for direct military confrontation between two foes in the Middle East (Israel and Iran) could ignite a snap return above \$80.00 in the October crude oil contract. While Iranian oil exports are currently only 1.5 million barrels per day, a full-on “war” between Israel and Iran could result in most, if not all, of those barrels becoming locked inside the country. Furthermore, the US dollar index has plummeted nearly 400 points (down almost 4%) since late June, and further softening of the US economy and US inflation is likely to send the dollar even lower over the coming month. Therefore, there could be a rush for US crude if Middle East oil transportation is impeded, especially if US oil sees a significant decline versus competing oil varieties. A glitch in Middle East supplies will likely have an inordinately bullish impact on US WTI pricing. In addition to the 30 million barrel decline in EIA crude oil stocks from late June, Cushing Oklahoma inventories (seen as a significant export source) have also plummeted since mid-May. They should continue to decline rapidly as per seasonal patterns. EIA crude oil inventories held below a year ago and seasonal levels in all but three weeks this year! Seasonals also indicate that the US refinery operating rate will remain high for several weeks, keeping the US call for physical oil strong.

From a technical perspective, small spec traders have pulled down long positions to the lowest level since late February; commercials hold 272,000 net short contracts, and perhaps most importantly, swap traders hold 424,000 net short contracts. Therefore, price reversal action above key resistance levels could unleash significant short-covering buying, which would be dramatically amplified by fresh speculative buying in the event of a shooting war in the Middle East. Open interest in crude oil has declined along with prices (down \$9.00) over the last 30 days, and open interest is now near the lowest level since July 11th, which might be a sign the market has adequately corrected the early August rally of seven dollars. Crude oil has established the \$75.00 level in the October contract as a key point and the middle of the 2024 trading range! However, short-term technical indicators like stochastics and RSI suggest the recent correction will continue without a breakout of direct fighting between Israel and Iran. Nonetheless, we suggest traders enter the long side of November crude oil with bull call spreads on a test of \$72.50.

Suggested Trading Strategy

BUY November Crude Oil \$77.00/\$81.00 bull call spread at \$0.90 with an objective of \$2.20. Risk the position to \$0.40.



SUGAR AND COTTON ON TRACK FOR MULTI-YEAR LOWS

World sugar and cotton production forecasts show increased production over the coming season. This increased production is happening as global demand prospects are lukewarm at best due to Chinese economic slowing, and that is a combination that should lead to lower prices over the coming months.

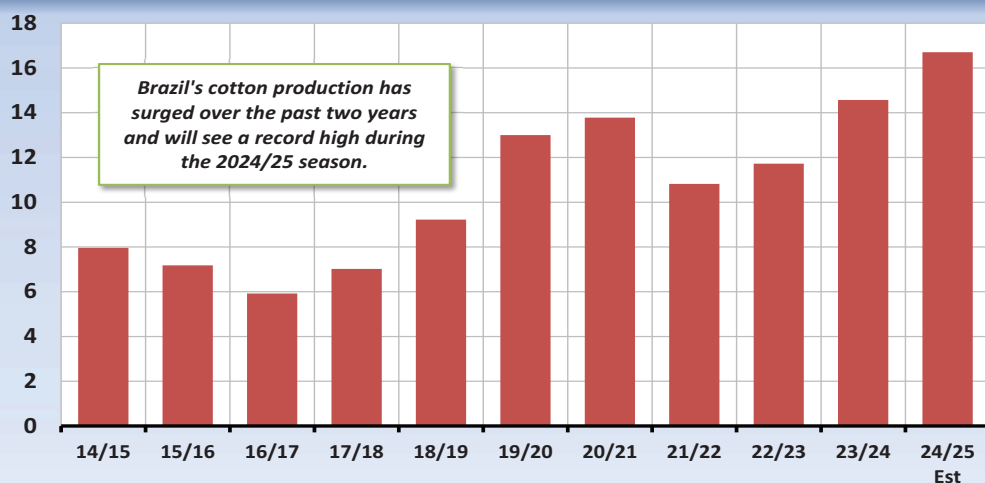
Brazil's Center-South 2024/25 sugar production is 8% ahead of last season after a strong start, despite July production being behind last year. India's 2024 monsoon rainfall was 5% ahead of last season as of Friday, which should benefit their upcoming 2024/25 cane crop. Also, Thailand, the US, and Mexico are looking at increased 2024/25 production from last year. All factors that should pressure sugar prices to 1 1/2-year lows during the fourth quarter.

US 2024/25 cotton production is estimated to be 15.108 million bales, 3.042 million over last season. That would be a 25% increase over 2023/24 production, even after revising their estimate lower by 1.89 million in the August Supply/Demand report released on August 12. Brazil's cotton production should reach a record high of 16.7 million bales. China's cotton production should have a mild uptick to 27.5 million. With larger Chinese output and more export competition from Brazil, US 2024/25 cotton exports may fall short of the USDA's 12.0 million bale forecast, leading to cotton prices falling to 3-year lows later this year.

Suggested Trading Strategies

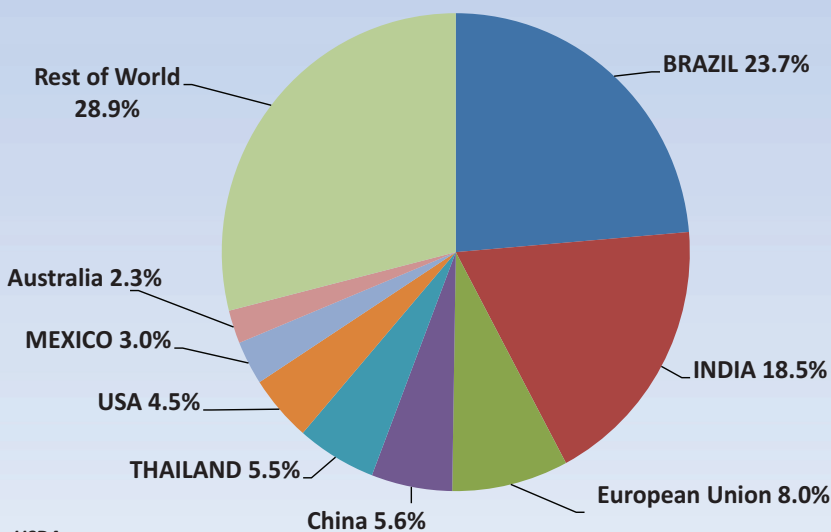
- 1) **BUY** a December Sugar 18.00/15.50 bear put spread at 0.50 or better. Use an objective of 2.10 and risk the entire spread premium on the strategy.
- 2) **BUY** a December Cotton 65.00/61.00 bear put spread at 0.90 or better. Use an objective of 3.40 and risk the entire spread premium on the strategy.

Brazil Cotton Production Million Bales by Season



Source: USDA

Global Sugar Production % Share of 2024/25 Season



Source: USDA

RECORD HIGH US CORN AND SOYBEAN YIELDS REFLECT A LONGER-TERM UPTREND

Monday's USDA August WASDE projected US 2024/25 nationwide corn yield at 183.1 bushels per acre, up from 177.3 last year. The USDA also forecast the US 2024/25 nationwide soybean yield at 53.6 bushels, up from 50.6 last year. Both yields are at a record high, overtaking 2021/22's 51.7 for soybeans and 2023/24's 177.3 for corn.

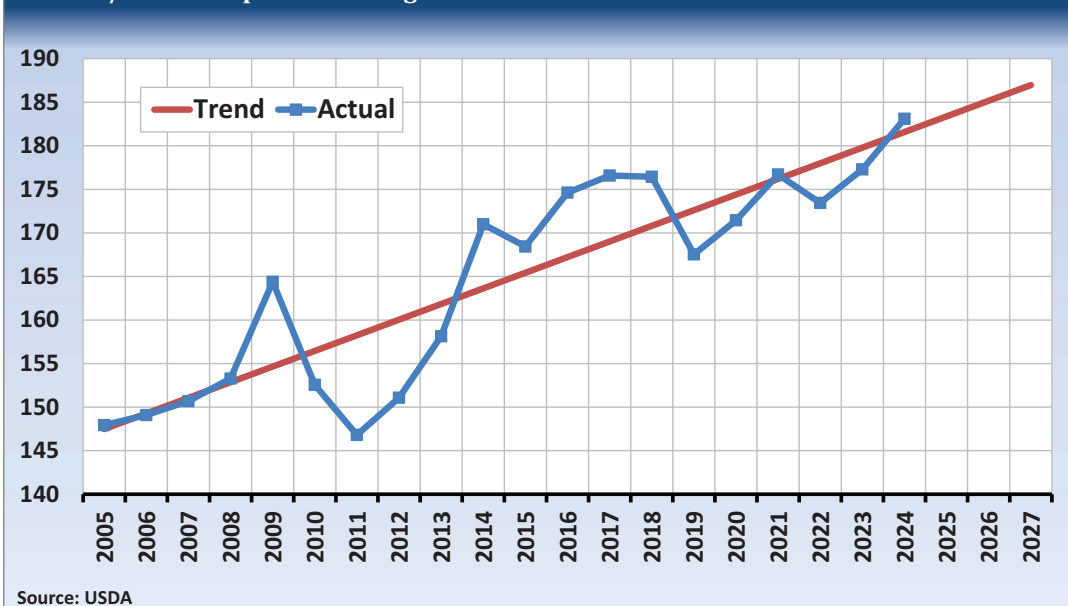
From the end of the Civil War until the late 1930s, corn yields were stable with a low of 18.1 bushels an acre (1901) and a high of 31.7 (1906), and only saw notable adjustments due to weather and pests. Following the Great Depression and the "Dust Bowl", the introduction of hybrid corn strains started an 87-year uptrend in yields.

With advancements in fertilizer, pesticides, genetics, and production technologies, the increase in corn and soybean yields has become much more significant during the 21st century. It is most common to utilize 20 years of yield results. Although yield data goes back 101 years for soybean yields (1924-2024) and 158 years of corn yields (1866 to 2024), using that long a timeframe would "undershoot" upcoming yields due to using comparatively tiny nineteenth and early twentieth century yields in the calculation and a shorter 10-year yield or less may "overshoot" upcoming yields due to significant year-over-year increases over the past decade.

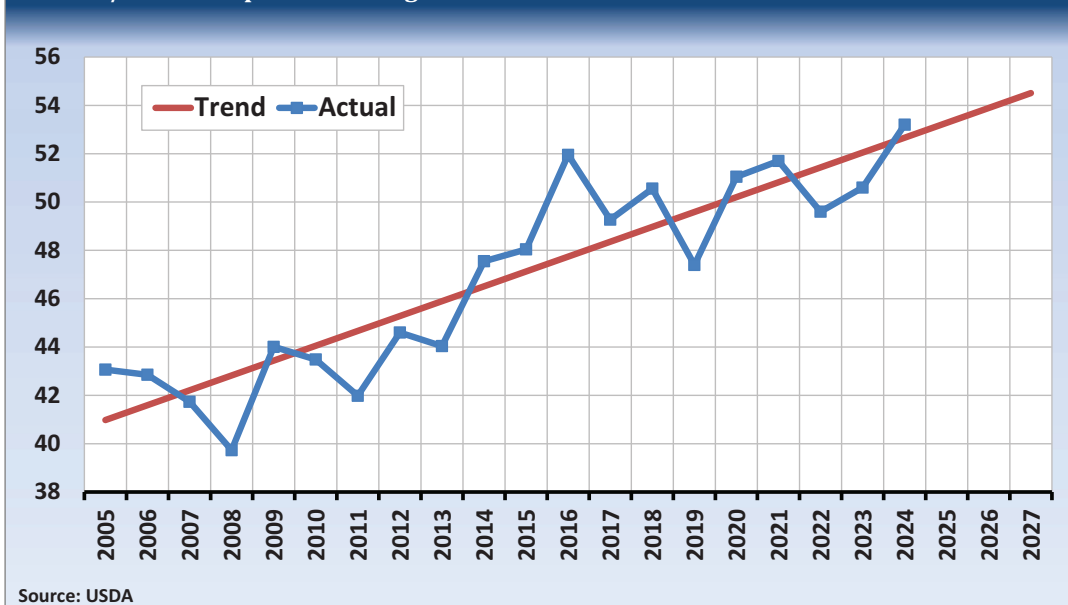
Although corn and soybeans have record-high yields this year, this will be the first time in three years that corn and soybean yields will be above the 20-year trendline. A critical factor in this year's yield per acre

increase has been the relatively mild weather in the Midwest. Even with a decline in their combined planted acreage, the longer-term uptrend in yields should lead to a record-high US soybean crop and a near-record corn crop during the 2024/25 season.

US Corn Yield - Actual vs 20 Year Trend
Bushles / Acre - Crop Year Starting



US Soybean Yield - Actual vs 20 Year Trend
Bushles / Acre - Crop Year Starting



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	Long a December Gold \$2,640/\$2,770 bull call spread at 16.00.	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.
Wheat 8/16/24	BUY 1 December Chicago Wheat at 550 or lower. Once filled, SELL 1 December Chicago Wheat 590 call at the market, which should be near 17 cents or better.	Take profits on the short call if December Chicago Wheat drops to 535, then leave the long futures on. If prices rally first, take profits on the entire position if December Chicago Wheat touches 592.

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TOP 12 COTTON GROWING NATIONS

While the US is one of the largest cotton exporters, they are well behind the world's top two cotton producing nations.

Courtesy of the USDA, these are the world's top 12 cotton growing nations (in bales):

China	27,500,000
India	24,500,000
Brazil	16,700,000
USA	15,108,000
Pakistan	6,000,000
Australia	5,000,000
Turkey	4,000,000
Uzbekistan	2,900,000
Argentina	1,550,000
Mali	1,350,000
Greece	1,100,000
Benin	1,045,000





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COMMITMENTS OF TRADERS

Data As of August 13, 2024
Non-Commercial & Non-Reportable
Combined Futures & Options

Market	Net Position	Net Change	4-Wk Net Change	52-Wk Ranking
Grains				
CBOT Grains	-473,404	-16,970	38,083	12
Corn	-225,167	-12,755	55,899	16
KC Wheat	-27,299	1,742	5,304	32
Minn Wheat	-26,812	-1,147	-381	13
Rice	249	23	971	5
Soybeans	-196,676	-6,150	-20,965	4
Soyoil	-57,384	-2,450	-50,031	3
Soymeal	18,572	-43,134	-17,490	16
Wheat	-51,561	1,935	3,149	32
Livestock				
Cattle	46,737	-8,457	-11,647	11
Feeder Cattle	-9,206	-473	-2,158	1
Hogs	8,151	-5,500	1,874	19
Metals				
Copper	23,350	-4,333	-24,218	31
Gold	300,949	29,434	3,778	51
Platinum	16,734	3,094	-2,744	29
Silver	60,768	-1,819	-7,293	31
Softs				
Cocoa	26,652	-711	-2,085	9
Coffee	61,765	501	-6,564	34
Cotton	-36,723	935	-7,682	2
Lumber	#N/A	#N/A	#N/A	#N/A
Milk	-1,731	312	780	50
OJ	4,430	-131	-725	39
Sugar	10,870	16,879	-1,078	10
Currencies				
Canadian	-181,127	4,482	-12,528	3
Dollar	17,117	1,282	-1,790	32
Euro	71,665	1,770	1,495	20
Energies				
Crude Oil	275,267	871	-51,163	20
Gas (RBOB)	15,027	2,492	-21,386	2
Heating Oil	13,438	271	-8,001	2
Natural Gas	-64,159	-14,779	8,612	41
Financials				
Bonds	83,911	34,546	66,538	52
E-Mini S&P	6,896	-72,401	-65,113	34
Dow Jones \$5	3,793	-3,555	-10,845	20
T-Notes	-590,323	-45,648	-43,321	25
	Extreme	Ranking 1 = Shortest Short		
	5% of Extreme	52 = Longest Long		