



June 14, 2024

THIS ISSUE

Near Term:

Bullish:	Corn
Bearish:	RBOB Soybeans Coffee Cotton

Other:

US Crude Oil Production at a Near-Term Ceiling?

MAJOR ECONOMIC EVENTS

June 17

- CHN Ind. Prod./Retail Sales
- NY Fed Empire State Survey

June 18

- German ZEW Survey
- Retail Sales
- Industrial Production
- Treasury International Capital

June 19

- Juneteenth Holiday
- NAHB Housing Market Index

June 20

- BOE/SNB Meetings
- Jobless Claims
- Housing Starts
- Philly Fed Survey

June 21

- Existing Home Sales
- Leading Indicators

Economic Focus

The US macroeconomic outlook remains slightly in favor of growth, with the trend of inflation pointing marginally lower. Not surprisingly, the equity markets have embraced the prospect of a "Goldilocks" economic situation stemming from the latest neutral Fed statements. Apparently, investors were not discouraged by news that only a single rate cut is expected this year. However, given the steady economic pace and strong nonfarm payrolls, the Fed has no pressure to act anytime soon. In the end, a "Goldilocks" US economic condition and undying speculative interest in AI should leave the bull camp in control of equities. With US planting near complete, drought virtually nil, and conditions showing crops off to a very good start, the trade could extract the likely minimal weather premium from prices. However, issues in Brazil, Russia, and Ukraine have likely taken the top off global production.

This could ultimately help grains respect price levels moderately above the February through May consolidation lows. While the prospects of a US rate cut have been reduced to a single, if any, cut this year, inflation has shown signs of "creeping" lower, which justifies the recent Treasury rally. However, we now see the treasuries as overbought and vulnerable to positive US scheduled data. In the end, physical commodities will likely

be held back by strength in the US dollar and steady demand expectations. It should also be noted that many physical commodities now face seasonal pressure, and without a clear improvement in the Chinese economy or a significant washout in the dollar, we see commodities drifting lower into the end of June.

-David Hightower

OUR OPINION... MARKET BY MARKET		
Market		*
Stocks	AI & undying rate cut hopes feed the bull camp.	L
Bonds	Strength despite payrolls; new top of range @ 120-19.	S
Dollar	US economy better than Europe; target @ 105.90	L
Euro	Mixed bag of inflation, but slowing economic data.	S
Gold	Indian gold jewelry imports restricted; value @ \$2,288.	L
Silver	New key buying support is down @ \$28.66.	L
Copper	Downtrend bias; trendline resistance @ \$4.5150.	S
Crude	Rising US fuel stocks & overbought technicals.	S
Gasoline	Falling refinery margins; targeting is down @ \$2.94.	S
Nat Gas	Without sustained US heat, \$3.20 is solid resistance.	S
Soybeans	Large carryout to limit impact of threatening weather.	S
Corn	Strong exports leaves weather minimally supportive.	L
Wheat	Harvest pressure, but export stocks remain tight.	L
Hogs	Reversal higher suggest intermediate low.	L
L Cattle	Gap higher points to further upside.	L
Sugar	India monsoon rain 12% below long-term average.	L
Coffee	Brazil May exports 90% above last year's total.	S
Cocoa	Ivory Coast halts forward sales of 2024/25 crop.	L
Cotton	USDA projects sharp increase in US production.	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.



US GASOLINE IS EXPENSIVE AGAIN!

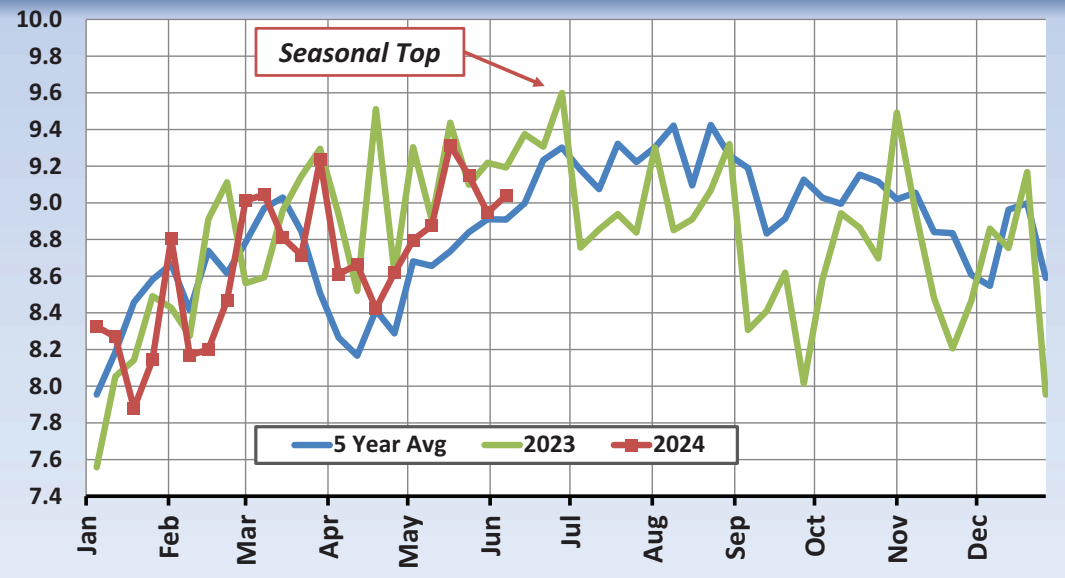
The June low-to-high rally of \$0.15 in August Gasoline was indeed justified, with the net spec and fund positioning into the early June low having been "mostly liquidated". The bulls were incentivized by normal seasonal increases in weekly implied gasoline demand and the prospects of increased summer driving, given the expense and difficulty of air travel this summer. However, US refinery margins have started to soften, indicating that the start of the strong summer demand window has been priced in by the June rally.

Certainly, US seasonal implied gasoline demand typically increases into the end of June.

However, seasonals also suggest the refinery operating rate will begin to decline, which, in a sense, could partially confirm adequate supply and confidence by oil companies in their capacity to deliver supplies through the brunt of the summer demand window.

US Weekly Implied Gasoline Demand

Current vs. Last Year vs. Average - Million Barrels/Day



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TRADERS TOOLBOX

OVERVALUED/UNDERVALUED		
Fundamental	Technical	COT
OVERVALUED		
S&P 500	RBOB	Coffee
Treasuries	Corn	Bonds
Natural Gas	Coffee	Cattle
UNDERVALUED		
Wheat	Cocoa	Corn
Cotton	Sugar	Soybean Oil
Cattle	Platinum	Sugar

OPTIONS SCAN

Undervalued

- Buy Aug RBOB \$2.32/\$2.22 bear put @ 0.0190**
- Buy Aug Wheat 640/710 bull call @ 14**
- Buy Aug Natural Gas \$2.85/\$2.60 bear put @ 0.080**

Overvalued

- Sell Aug Natural Gas \$3.40 call @ 0.170***
- Sell Aug Coffee 245.00 call @ 3.90***
- Sell Aug Silver \$25.50 put @ 0.19***

Trend Reversals

- Buy Aug Bond 118.00 put @ 0-46**
- Buy Sept Copper \$4.58/\$4.72 bull call @ 0.0300**
- Buy Aug Gold \$2,360/\$2,455 bull call @ 20.00**

Only use these strategies during periods of high liquidity.

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

US GASOLINE IS EXPENSIVE AGAIN!

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Furthermore, EIA gasoline inventories reached a year-over-year surplus of 12.6 million barrels last week, with inventories versus the five-year average almost equal. However, given the Biden administration's desire to lower or restrict rallies in gasoline prices into the election, traders should expect the potential for the release of products from the US strategic reserve and further sales of crude oil from the SPR. In yet another potential bearish gasoline supply development, the end of winter and the recent rebuilding of Russian gasoline inventories from the suspension of Russian exports will likely result in Russia ending the gasoline export ban.

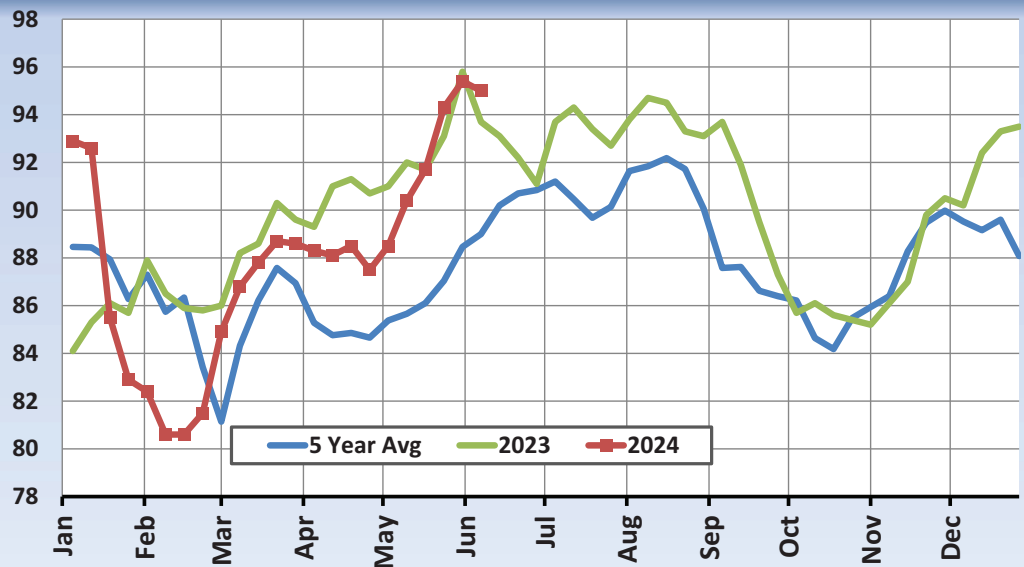
From a technical perspective, downtrend channel selling resistance in August gasoline at the start of the third week of June is pegged \$2.462, with a stop price on fresh shorts from that level at \$2.4926. It should also be noted the early June rally was forged on a jump in open interest but was not confirmed by steady increases in trading volume. Furthermore, open interest in gasoline has reached the highest levels since late April, suggesting seasonal and bargain-hunting buying is completed!

Suggested Trading Strategies

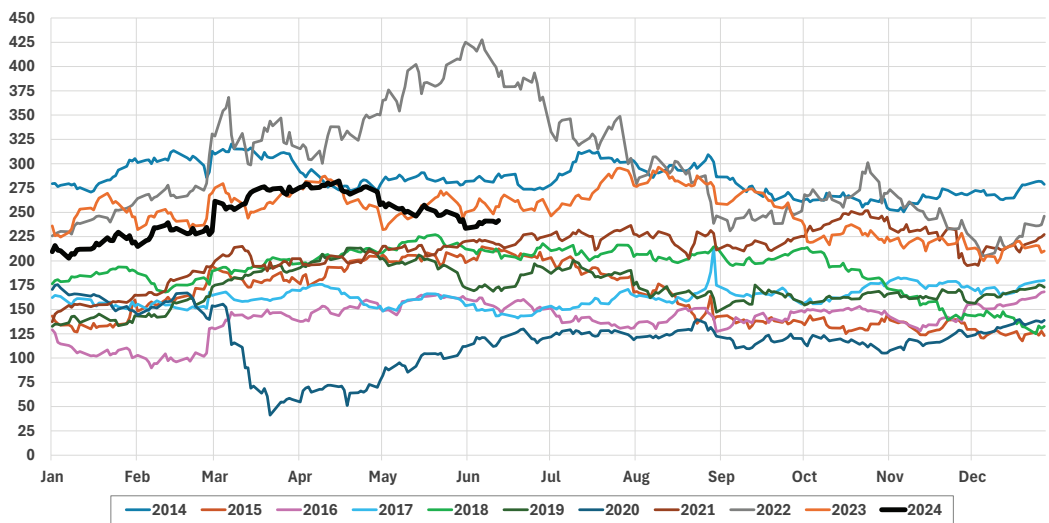
- 1) **SELL** August RBOB futures at \$2.47 with an objective of \$2.29. Risk to \$2.4926.
- 2) **BUY** an August RBOB \$2.32/\$2.22 bear put spread at \$0.0190 with an objective of \$0.480. Risk the spread to \$0.090.

US Weekly Refinery Operating Rate

Current vs. Last Year vs. Average - Percent



RBOB Gasoline - Nearby - cents/gallon

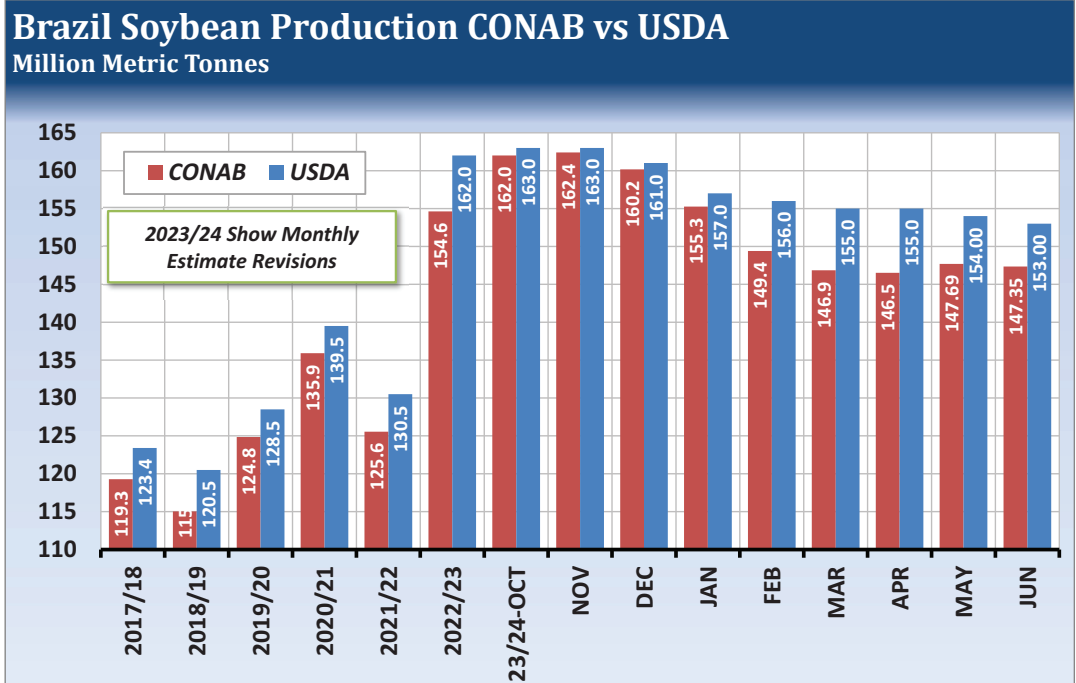


SOYBEANS: USDA CONFIRMS LARGE US CARRYOUT, HOT WEATHER FOR EASTERN BELT

The soy complex was range-bound this week, and the recent theme of adequate soybean supplies remains in place. Traders have backed away from aggressive positioning due to uncertainties regarding Brazil tax reforms, export demand, and US growing season weather. Short-term, rising temperatures, especially across the eastern bean belt, may encourage some weather premium, but anticipated large ending stocks mean the crop has some cushion for adverse conditions.

USDA's June Supply and Demand report released Wednesday featured a 10-million-bushel reduction to old crop crush following April's crush slowdown. New crop soybean US balance sheets had no changes other than the increase in beginning stocks due to the reduced old crop crush. Nothing was exciting in the world numbers either. Global meal production is expected to be record high. The bottom line is that the USDA reinforced the idea that bean supplies are expected to rise significantly if US crop weather is at least average. Even a 2% drop in yield

USDA SUPPLY/DEMAND US SOYBEANS							2024/25 Scenarios			
	18-19	19-20	20-21	21-22	Jun USDA 22-23	Jun USDA 23-24	Jun USDA 24-25	USDA June Report		
								Yield -2%	USDA Yield	Yield +2%
Planted Area (M Acres)	89.2	76.1	83.4	87.2	87.5	83.6	86.5	86.5	86.5	86.5
Harvested Area (Acres)	87.6	74.9	82.6	86.3	86.2	82.4	85.6	85.6	85.6	85.6
Yield (Bu/Acre)	50.6	47.4	51.0	51.7	49.6	50.6	52.0	51.0	52.0	53.0
Beginning Stocks (M Bu)	438	909	525	257	274	264	350	350	350	350
Production	4,428	3,552	4,216	4,464	4,270	4,165	4,450	4,362	4,450	4,540
Imports	14	15	20	16	25	25	15	15	15	15
Supply, Total	4,880	4,476	4,761	4,737	4,569	4,454	4,815	4,727	4,815	4,905
Crushings	2,092	2,165	2,141	2,204	2,212	2,290	2,425	2,425	2,425	2,425
Exports	1,753	1,683	2,266	2,152	1,992	1,700	1,825	1,825	1,825	1,825
Seed	88	97	101	102	75	77	78	78	78	78
Residual	39	11	-4	5	27	37	32	32	32	32
Use, Total	3,971	3,952	4,504	4,463	4,305	4,104	4,360	4,360	4,360	4,360
Ending Stocks	909	525	257	274	264	350	455	367	455	545
Stocks/Use Ratio	22.9%	13.3%	5.7%	6.1%	6.1%	8.5%	10.4%	8.4%	10.4%	12.5%



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SOYBEANS: USDA CONFIRMS LARGE US CARRYOUT, HOT WEATHER FOR EASTERN BELT

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from the USDA's projected 52 bushels per acre would not tighten US ending stocks below the 2023/24 season.

NOPA crush for May will be out Monday morning. Seasonal downtime and some plants throttling production will likely keep the crush pace below the record-setting monthly paces seen in the first quarter of 2024 but near last year's May number of 177.92 million bushels.

Lawmakers in Brazil sent the tax reform 'provisional measure' back to the government this week, essentially canceling the executive order for the time being. Agribusiness groups resolutely oppose the reforms, saying it will reduce Brazil's ag competitiveness and raise costs. It is expected that the government will send a watered-down proposal to Congress in the coming days in hopes of passage after the Finance Minister said significant additional government revenue is needed for economic stability. China demand for US old crop beans has picked up since the tax measure was announced but additional demand may be in question now that the measure has been rejected. While we see the possibility some weather premium may be built into prices in the short term, we prefer to look for a minor weather rally to position short.

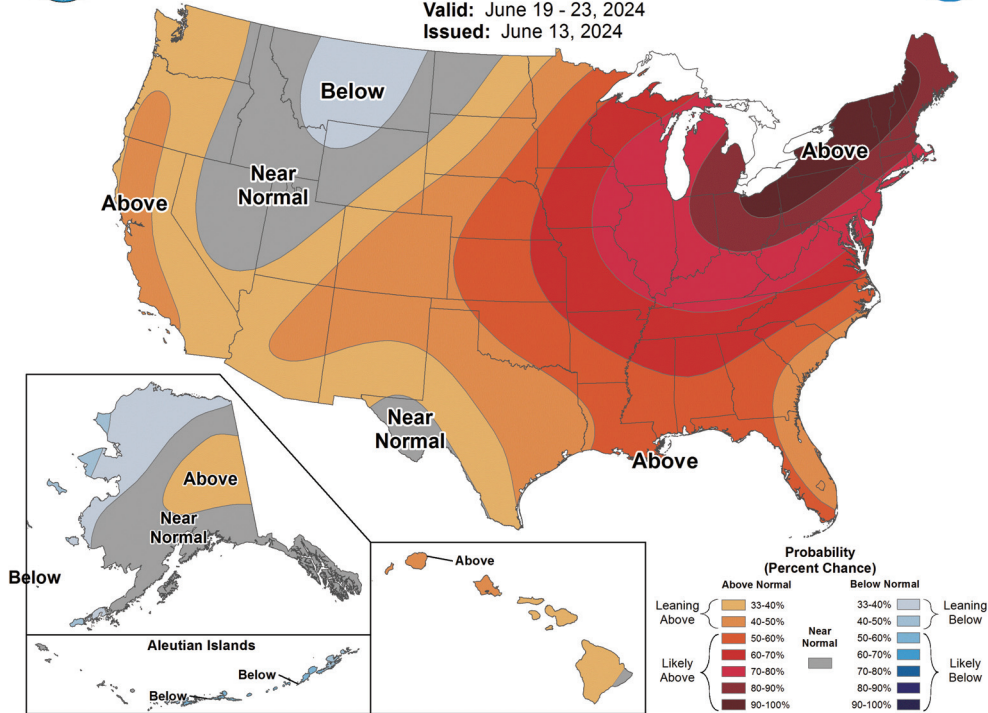
Suggested Trading Strategy

BUY 1 August Bean 1170 put and **SELL** 1 August Bean 1200 call for a cost of 7 cents or better. Risk 13 cents on the entire position. Take profit on the both Put and Call if August futures touches 1142.



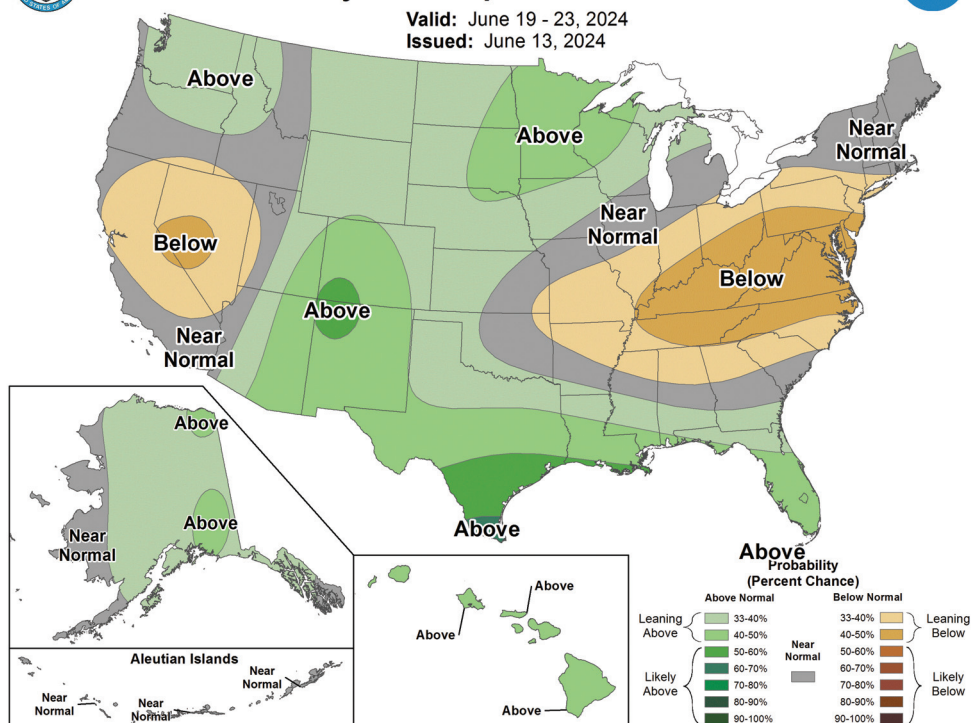
6-10 Day Temperature Outlook

Valid: June 19 - 23, 2024
Issued: June 13, 2024



6-10 Day Precipitation Outlook

Valid: June 19 - 23, 2024
Issued: June 13, 2024

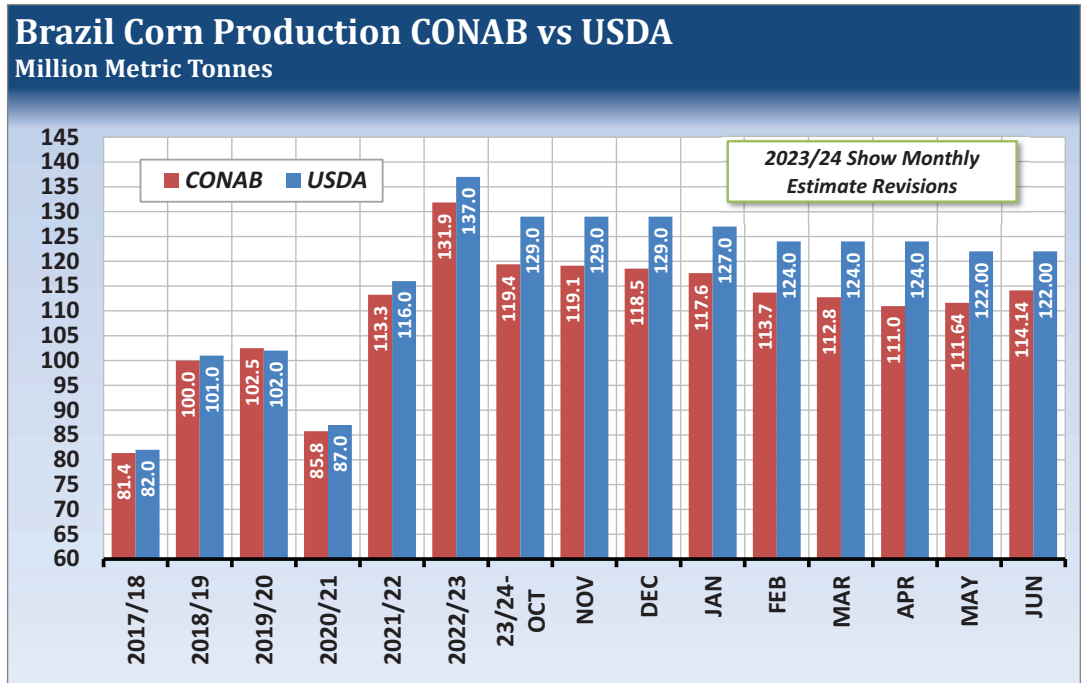


CORN: LITTLE PRODUCTION CUSHION FOR WEATHER PROBLEMS

This season's US corn crop is critical to keep world supplies adequate as weather issues in several parts of the world raise global output uncertainty. Warm/humid conditions heightened Argentina's disease pressure and impacted final production estimates. Brazil has endured heat and dryness at the tail end of its safrinha growing season, and Black Sea weather stress has the potential to curtail production. Furthermore, drought in Mexico remains in place, and hot/dry conditions are becoming an issue in China's productive northern provinces, according to their Ag Ministry.

Over the next two weeks, above-normal temperatures are expected to center on the Eastern corn belt, and precipitation chances are limited in the EU forecast model. While the GFS model is slightly wetter, both models show hot temperatures. The Western corn belt is a different story, with the GFS model showing very heavy rains across parts of the northern Midwest, while the EU model is less aggressive with the precipitation. Either way, it is the eastern belt that bears watching. This year, the US

USDA SUPPLY/DEMAND US CORN	Historical Data						2024/25 Scenarios			
	18-19	19-20	20-21	21-22	Jun 22-23	Jun 23-24	Jun 24-25	USDA June Report		
					USDA	USDA	USDA	Yield -2%	USDA Yield	Yield +2%
Planted Area (M Acres)	88.9	89.7	90.7	92.9	88.2	94.6	90.0	90.0	90.0	90.0
Harvested Area (Acres)	81.2	81.0	82.2	85.0	78.7	86.5	82.1	82.1	82.1	82.1
Yield (Bu/Acre)	176.4	167.5	171.4	176.7	173.4	177.3	181.0	177.4	181.0	184.6
Beginning Stocks (M Bu)	2,140	2,237	2,004	1,235	1,377	1,360	2,022	2,022	2,022	2,022
Production	14,322	13,568	14,087	15,018	13,651	15,342	14,860	14,563	14,860	15,157
Imports	28	42	24	24	39	25	25	25	25	25
Supply, Total	16,490	15,847	16,115	16,277	15,066	16,727	16,907	16,610	16,907	17,204
Feed & Residual	5,392	5,778	5,667	5,671	5,486	5,700	5,750	5,750	5,750	5,750
Food, Seed & Industry	6,792	6,286	6,466	6,757	6,558	6,855	6,855	6,855	6,855	6,855
Ethanol for Fuel	5,378	4,857	5,028	5,320	5,176	5,450	5,450	5,450	5,450	5,450
Domestic Total	12,185	12,064	12,134	12,427	12,045	12,555	12,605	12,605	12,605	12,605
Total Exports	2,068	1,778	2,747	2,472	1,661	2,150	2,200	2,200	2,200	2,200
Use, Total	14,253	13,843	14,881	14,900	13,706	14,705	14,805	14,805	14,805	14,805
Ending Stocks	2,237	2,004	1,235	1,377	1,360	2,022	2,102	1,805	2,102	2,399
Stocks/Use Ratio	15.7%	14.5%	8.3%	9.2%	9.9%	13.8%	14.2%	12.2%	14.2%	16.2%



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CORN: LITTLE PRODUCTION CUSHION FOR WEATHER PROBLEMS

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balance sheet does not have much cushion for weather problems, and USDA is already projecting a record corn yield. A 3.5 bushel per acre drop in yield sends ending stocks down to 1.8 billion bushels from the current 2.1 billion estimate. While 1.8 billion is not dramatically tight, it would suggest prices are undervalued below \$5 on December futures. We prefer to position long, anticipating the market will build additional weather premium into prices over the near term.

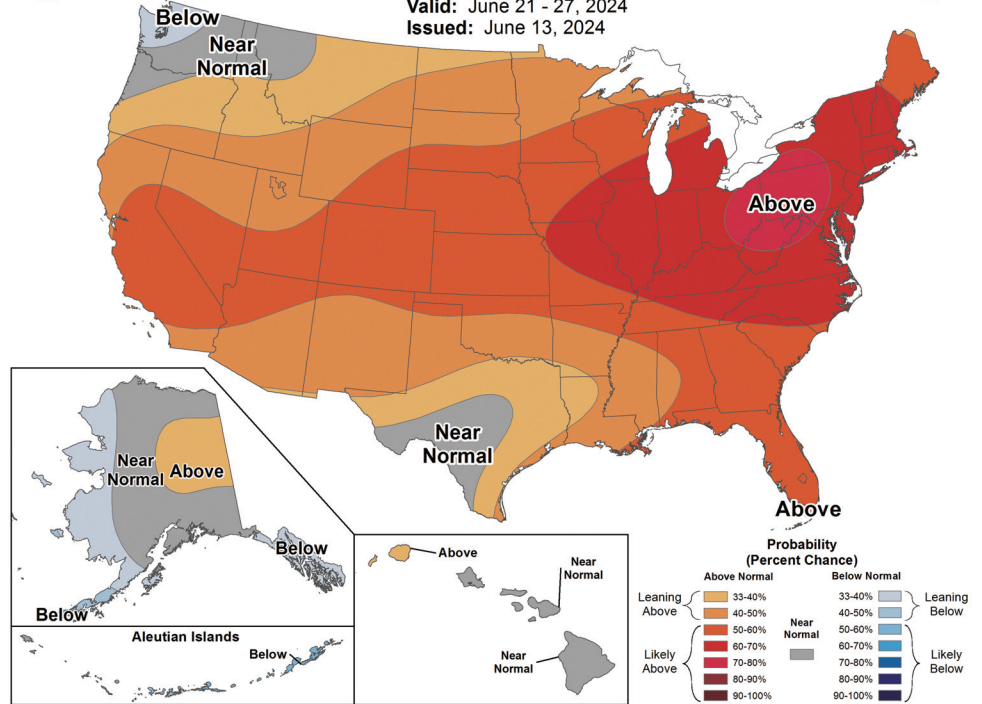
Suggested Trading Strategy

BUY 1 September Corn Futures at 460 or better. Once filled, **SELL** 1 August Corn 480 call at the Market, which should be around 12 cents. Risk 9 cents on the entire position. Take profits on the entire position if September futures touches 489.



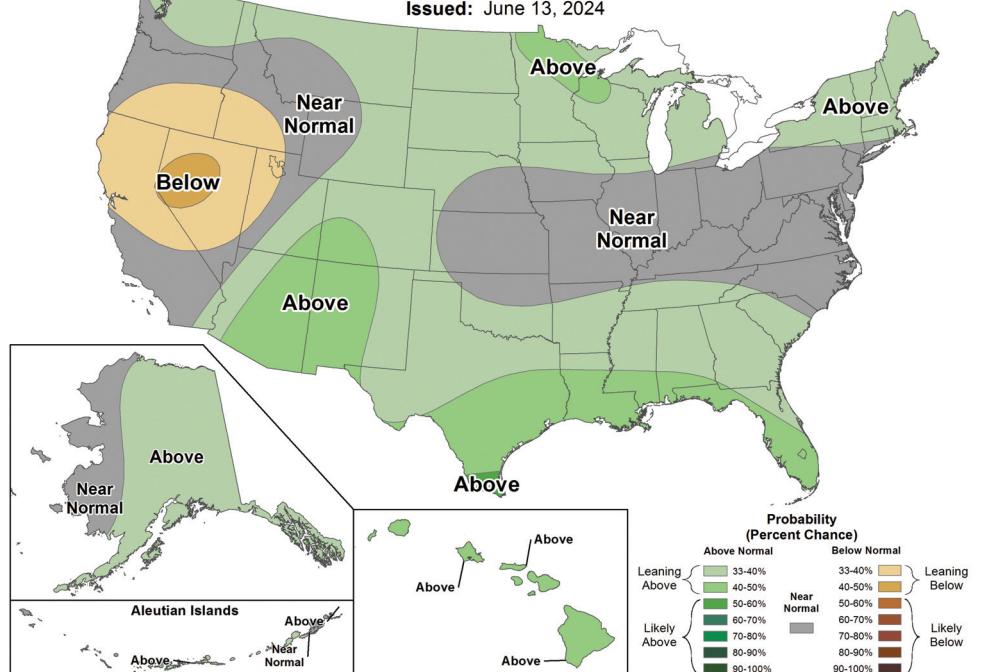
8-14 Day Temperature Outlook

Valid: June 21 - 27, 2024
Issued: June 13, 2024



8-14 Day Precipitation Outlook

Valid: June 21 - 27, 2024
Issued: June 13, 2024



INCREASING SUPPLY TO PRESSURE COFFEE AND COTTON

While there is still a modestly positive outlook for US demand prospects, this has not provided across-the-board support for the commodity markets with the ongoing concerns about Chinese growth and the Dollar's recent strength. These factors will likely keep pressure on many commodities over the next few weeks. Commodities with sizable production increases expected this year are likely to see the most negative price action.

Brazil's 2024/25 combined coffee production (Arabica plus Robusta) is expected to have a second consecutive sizable increase from the previous season, according to the USDA.

Brazil's May coffee exports at 4.03 million bags were 90% larger than last year's total, due mainly to Robusta shipments of 870,000 bags, which were 560% larger than last year's total. The surge in Robusta shipments offset lower shipments from Vietnam and Indonesia, and that should leave coffee prices overvalued at their current levels and vulnerable to a selloff into the early part of the third quarter.

The USDA has projected US 2024/25 cotton production at a 3-year high of 16.0 million bales, while world 2024/25 cotton production is forecast to reach a 7-year high of 119.136 million bales. This is expected to result in world-ending stocks of 83.493 million bales, a 5-year high. The US, the world's largest cotton exporter, is expected to export 13.0 million bales during the 2024/25 season, while Brazil is set to export a record-high 12.5 million bales. This significant increase in production and exports is likely to exert downward pressure on cotton prices, potentially leading to a drop to 20-month lows in the third quarter.

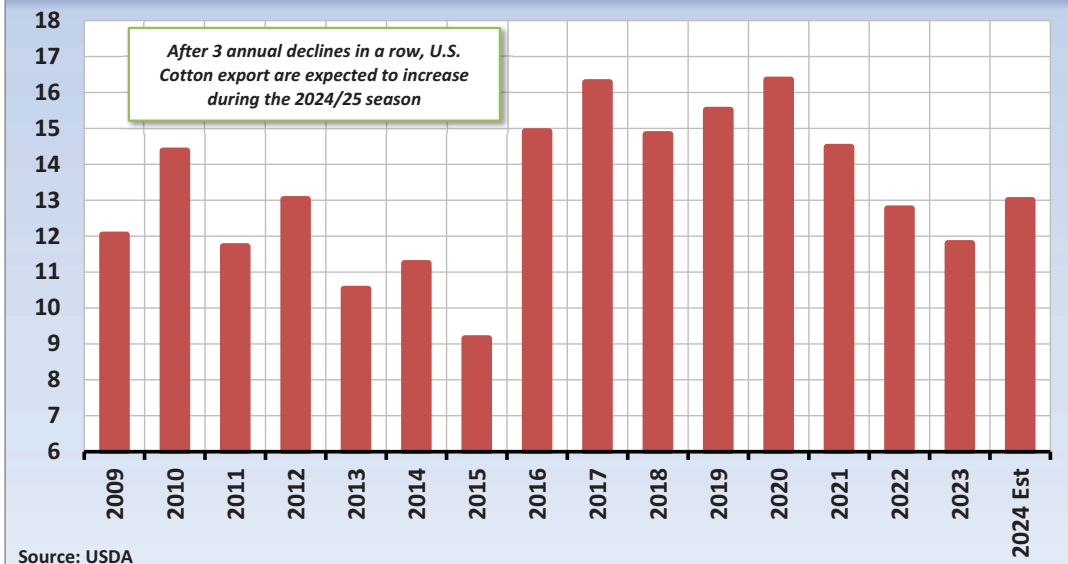
Suggested Trading Strategies

1) **BUY** a September Coffee 210.00/200.00 bear put spread at 3.00 with an objective of 8.50. Risk the option spread to 1.20.

2) **BUY** a September Cotton 70.00/67.00 bear put spread at 0.75 with an objective of 2.50. Risk the option spread to 0.25.

U.S. Cotton Exports

Million Bales By Season



TOP 12 COTTON PRODUCERS

While the US and Brazil are far and away the world's two largest cotton exporters, they are both well below the production output of the two largest growing nations.

Courtesy of the USDA, these are the world's 12 producers of cotton during the 2024/25 season (in bales):

China	27,000,000
India	25,000,000
Brazil	16,700,000
USA	16,000,000
Pakistan	6,500,000
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

LUKEWARM DEMAND CAPS US CRUDE OIL PRODUCTION

The EIA's latest Short-Term Energy Outlook report projected US crude oil production during the second quarter at an average of 13.17 million barrels per day (bpd). This compares to an average of 12.94 million bpd during the first quarter and 13.26 million bpd during the fourth quarter of 2023. At this point, US crude oil production has fully recovered from the sharp reduction in output during the early days of the COVID pandemic in May 2020, when it fell below 10 million bpd.

The EIA has forecast incremental increases in US crude oil production over the next six quarters, with December of 2025 forecast to reach 13.92 million bpd. In contrast, OPEC Plus output quotas are keeping Saudi Arabian and Russian crude oil production below 9.5 million barrels per day. This has kept the US as the world's largest producer of crude oil, with 17% to 18% of global production over the past few years.

Over the past few weeks, there has been a build-up of US crude oil and petroleum product stocks. This week's EIA supply report showing gasoline stocks at a 13-week high and distillate stocks at a 17-week high. US refinery utilization has been running above 94% over the past three weeks, the highest levels seen since August 2023. Crude oil refinery net input has been above 17 million bpd over that timeframe, their highest reading since September 2019.

US crude oil stocks tend to reach their highest levels between April and

June, considered a "shoulder" season for demand, and decline until the primary North American driving season concludes in mid-September. Keep in mind that US crude oil stocks are 7.5 million barrels below a year ago and 17.1 million barrels below the five-year average, despite the uptick in US crude oil production and weekly increases to the Strategic Petroleum Reserve.

Unless domestic demand surges, there appears to be little incentive to ramp up US crude oil production. This has been reflected in the Baker Hughes US oil rig survey, which at 488 rigs is at the lowest level since January 2022. This decline indicates that demand is not strong enough to incentivize increased exploration. As a result, US crude oil production may hold within a tight range and have trouble breaking through this "ceiling" during the rest of this year.

Baker Hughes U.S. Oil Rig Count Weekly/Operating Rigs



Long Term Trades

UPDATES TO PRIOR LONGER-TERM TRADE STRATEGIES

Original Trade Date	Trade	Action
Natural Gas 5/24/24	Long an August Natural Gas \$2.90/\$3.40 bull call spread at 0.141.	Use an objective of 0.329 and risk the trade to 0.070.

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COMMITMENTS OF TRADERS

Data As of June 11, 2024
Non-Commercial & Non-Reportable
Combined Futures & Options

Market	Net Position	Net Change	4-Wk Net Change	52-Wk Ranking
Grains				
CBOT Grains	-320,635	-5,698	-135,706	17
Corn	-180,056	13,449	-82,696	22
KC Wheat	-20,100	-5,223	-3,707	31
Minn Wheat	1,475	-6,194	-1,773	41
Rice	1,723	-623	-2,231	4
Soybeans	-102,555	-10,611	-43,728	17
Soyoil	-53,858	-14,595	-20,473	3
Soymeal	113,152	-6,526	-12,041	36
Wheat	-38,024	-8,536	-9,282	44
Livestock				
Cattle	61,800	-1,109	4,767	23
Feeder Cattle	-5,444	-182	-356	8
Hogs	20,352	-10,065	-29,863	21
Metals				
Copper	70,328	-1,026	-7,539	49
Gold	263,994	-9,571	-23,214	49
Platinum	23,484	-6,597	-11,735	41
Silver	74,243	-3,272	-4,917	47
Softs				
Cocoa	30,604	3,683	8,928	11
Coffee	69,242	-2,163	5,325	47
Cotton	-15,435	-9,784	-13,928	1
Lumber	#N/A	#N/A	#N/A	#N/A
Milk	-1,565	1,346	1,981	52
OJ	5,532	-831	-737	48
Sugar	-19,275	14,196	11,987	4
Currencies				
Canadian	-139,559	-38,584	-46,382	1
Dollar	6,657	483	2,584	33
Euro	70,036	-28,094	1,234	10
Energies				
Crude Oil	276,834	4,441	-5,128	24
Gas (RBOB)	45,620	-4,686	-11,976	4
Heating Oil	18,301	932	-6,635	4
Natural Gas	-91,110	-5,018	-14,705	15
Financials				
Bonds	35,593	-4,552	-36,126	47
E-Mini S&P	-2,308	-26,701	-60,558	41
Dow Jones \$5	4,574	-5,747	-18,099	27
T-Notes	-274,109	114,210	109,522	52
	Extreme			Ranking 1 = Shortest Short
	5% of Extreme			52 = Longest Long