LAKEFRONT FUTURES

THIS ISSUE

Near Term:

Bullish:	Crude Oil Corn British Pound
Bearish:	Soybeans

Other:

Goods-Producing Jobs Have Lukewarm Growth

MAJOR ECONOMIC EVENTS

October 7
- Consumer Credit

October 8
- International Trade Balance

October 9
- Wholesale Trade
- FOMC Meeting Minutes

October 10
- Consumer Price Index
- Jobless Claims

October 11
- Producer Price Index
- Canadian Unemployment
- Consumer Sentiment

October 4, 2024

Economic Focus

Throughout history, the number of times the Middle East has ventured near an all-out war is far greater than the actual outbreak of regional fighting. However, the current situation has intensified, and the odds of a dramatic escalation of fighting, disrupted oil flow, mass casualties, and increased terrorism in and out of the Middle East are significant. The direct military exchanges between sovereign countries (Israel and Iran) combined with credible intelligence suggesting Iran is actively pursuing an assassination of a former US president and candidate for the presidency elevates the prospect of surging oil prices, a dramatic increase in the value of the dollar, further historic gains in gold and increased volatility in global equity markets. Additional hallmarks of a major regional crisis are Israeli intentions to eradicate Hamas leadership, Yemeni terrorists warning all shipping companies of potential attacks, and significant global vocal backing of the Palestinians and Hamas. In fact, with aggressive Israeli airstrikes, expanding ground fighting, and significant global coverage, the prospect of international terrorism should be considered a concern.

However, with the recent massive Chinese stimulus, a dovish global central bank policy tilt, signs inflation is moderating, and the US and European economies "holding together," physical commodities should not be as vulnerable to wholesale liquidation generally associated with deflationary conditions. While oil prices could easily trade at $80 per barrel (current December crude oil futures prices are just above $73), the trade has yet to insert a significant supply disruption prospect, and therefore, traders should avoid the short side of energy markets!

With many physical commodities showing a historic positive correlation with energy prices and many physical commodity markets holding very large short positions, traders should be aware of the possibility of massive, short-covering nonfundamental rallies.

OVERVALUED/UNDERVALUED

Fundamental	Technical	COT
OVERVALUED		
Copper	S&P	Copper
Natural Gas	Copper	Gold
Corn	Gold	Cattle
UNDERVALUED		
Bonds	Coffee	Notes
Cocoa	Notes	KC Wheat
Bitcoin	Cocoa	Bonds

OUR OPINION… MARKET BY MARKET

Market		*
Stocks	"Only game in town", but fundamentally expensive.	S
Bonds	Market views overly dovish Bond value @ 128-15 Dec.	L
Dollar	Winning by default with Fed dovishness overstated.	L
Euro	ECB rate cuts expected, more downside ahead.	S
Gold	Corrective tilt an opportunity to buy a dip.	L
Silver	Uptrend entrenched; allow for larger temp corrections.	L
Copper	Overvalued above $4.60 without Chinese growth #'s.	S
Crude	Softening global demand only partially offset by M.E.	S
Gasoline	Dec expensive @ $2.00 without M.E. supply glitch.	S
Nat Gas	Expensive given residual oversupply & mild temps.	S
Soybeans	US harvest & potential Brazil rains point to pullback.	S
Corn	Rally stalled, good support on breaks below 415 likely.	L
Wheat	Test of long-term 200-day MA caps recent rally.	N
Hogs	Uptrend intact, no technical top yet.	L
L Cattle	Overbought, but lacks top formation.	N
Sugar	2024 India monsoon rainfall 7% above long-term avg.	S
Coffee	Robusta supply issues providing support.	L
Cocoa	Global demand should improve during 4th quarter.	L
Cotton	Weaker demand from China 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.

OPTIONS SCAN

Undervalued

Buy Dec Bond 124.00/128.00 bull call @ 1-00
Buy Dec Cattle 186.00 put @ 3.20
Buy Jan Sugar 22.50 put @ 1.05

Overvalued

Sell Dec Cocoa 6400 put @ 195*
Sell Dec Gold $2,540 put @ 24.00*
Sell Dec Coffee 210.00 put @ 1.50*

Trend Reversals

Buy Dec Copper $4.54/$4.45 bear put @ 0.0300
Buy Dec Corn 425 put @ 8
Buy Dec Natural Gas $3.40/$2.95 bear put @ 0.200

Only use these strategies during periods of high liquidity.

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

TRADERS TOOLBOX

UPDATES TO PRIOR LONGER-TERM TRADE STRATEGIES

Original Trade Date	Trade	Action
Gold 9/20/24	BUY a December Gold $2,690/$2,800 bull call spread at 23.00	Use an an objective of 69.00, and risk the strategy to a price on the spread of 10.00.
Japanese Yen 9/27/24	**BOUGHT a March 2025 Japanese Yen 75.00 call for 0.0082.**	Use an objective of 0.0470, and risk the call to 0.0044.
Crude Oil 10/4/24	**BUY a December Crude Oil $75.00/$83.00 bull call spread at 1.75.**	**Use an objective of 5.60 and risk the option spread to a price of 0.60.**

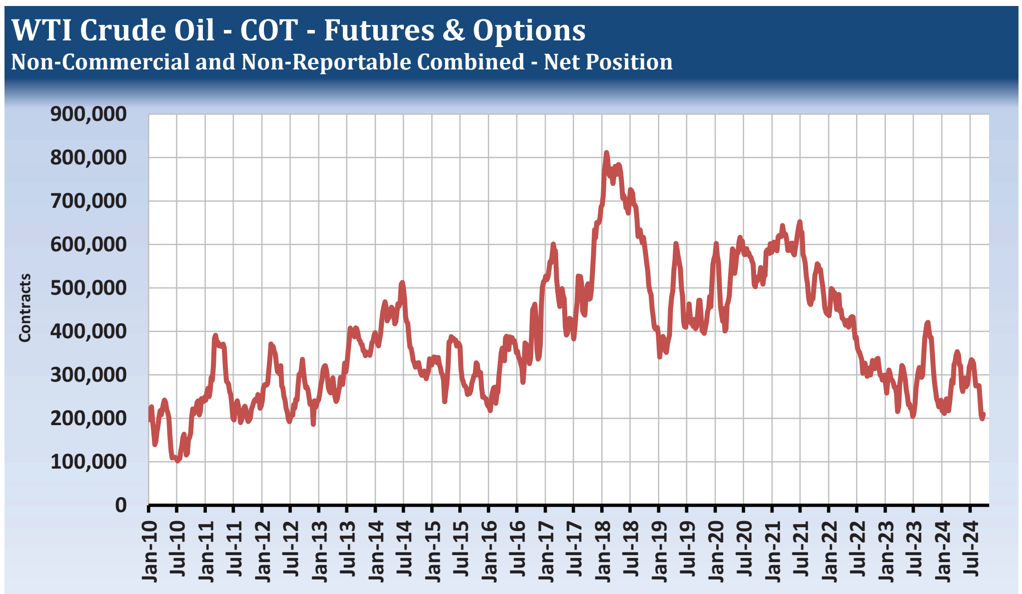
Trade recommendations are only suggestions. This is not to be construed as a trading system or tracking account. No representation is being made that any account will or is likely to achieve profits or losses to those shown. By reading or following this report, you acknowledge and accept that all trading 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.

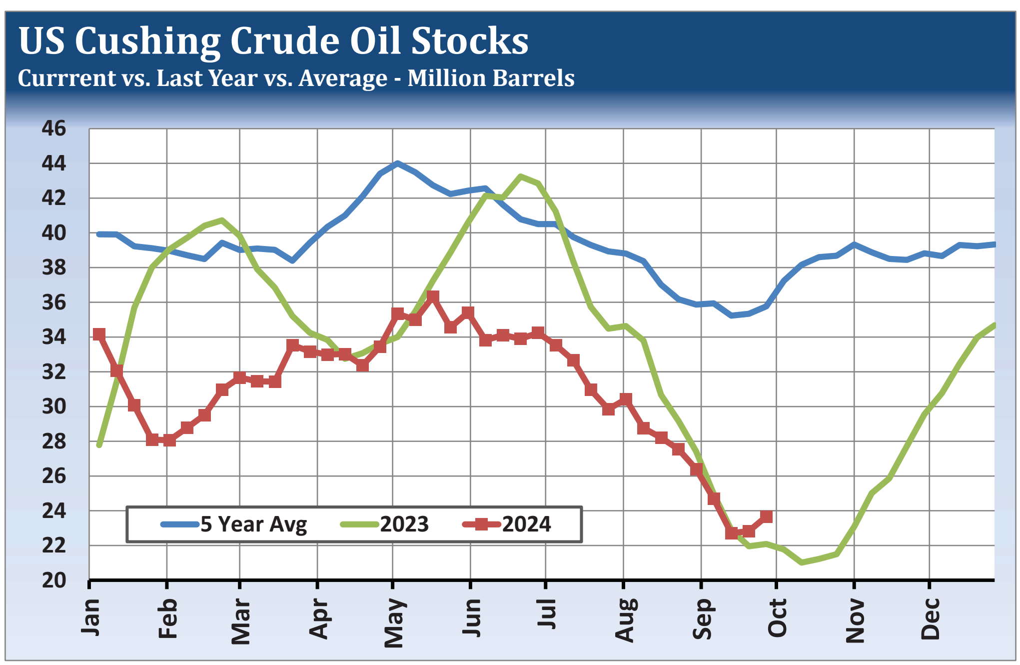
MULTIPLE THREAT TO CRUDE OIL SUPPLY

This week's tensions in the Middle East are flaring again and appear poised to produce notable oil supply flow disruptions. Furthermore, with Iran and Israel directly attacking each other (beyond surrogates), the potential for a loss of Iranian oil supply has jumped significantly. In fact, Israel has already indicated they could target Iranian oil rigs, oil port infrastructure, and perhaps Iranian oil storage facilities. As opposed to several years ago when Iranian oil production and exports collapsed, Iran reportedly is producing 3.2 million barrels per day and exporting 1.7 million barrels per day. Therefore, even partial destruction of oil export terminals, storage facilities, and pipelines will have a material impact on global supply availability.

A significant amount of Iranian oil flows to China and India because of the lack of full access to Russian oil due to global sanctions. Furthermore, with Cushing, Oklahoma stocks (a key US oil export storage facility) at seasonally low levels and significantly below five-year average storage levels, the US might not be able to meet a sudden shortage of crude oil if prices jump aggressively. Granted, soft global oil demand is currently holding prices down, but the recent Chinese stimulus package and easier global money policy should temper a measure of demand concerns. Another issue capable of propelling energy prices sharply higher with little notice is the threat of hurricane disruptions in the Gulf of Mexico.

From a technical perspective, the crude oil market appears to have found solid support/value at the $68 level (basis the December contract), especially with the market aggressively rejecting a test of $66.00 on the highest daily trading volume session since early 2023. Furthermore, the net spec and fund long in crude oil recently posted the lowest net spec and fund long since early 2023, which in turn was the second most liquidated long position since July 2012. In conclusion, we suggest traders consider implementing December crude oil bull call spreads on a dip back below $70.00.





Suggested Long-Term Trading Strategy

BUY a December Crude Oil $75.00/$83.00 bull call spread at $1.75. Use an objective of $5.60 and risk the option spread to a price of $0.60.

SOY UPDATE: DISAPPEARING BULLISH ARGUMENTS

The soybean market was steady to slightly lower this past week as extended forecasts continued to show Brazilian rain potential increasing heading into mid-October. Price headwinds have increased since mid-August after the $1.15 rally, and the US dollar rebounded this week after a hotter-than-expected job number. Furthermore, US yield reports are coming in better this week than the previous two weeks, raising harvest hedge pressure. As much as two-thirds of the Brazilian bean crop is typically planted during October, so there is still time for monsoon rains to develop. The dry season has hung around longer this year, and temperatures have trended warmer than average, meaning several rounds of good rain may be needed to replenish soil moisture to a significant degree for planting. Follow-up rains in December–January will be critical for crop development.

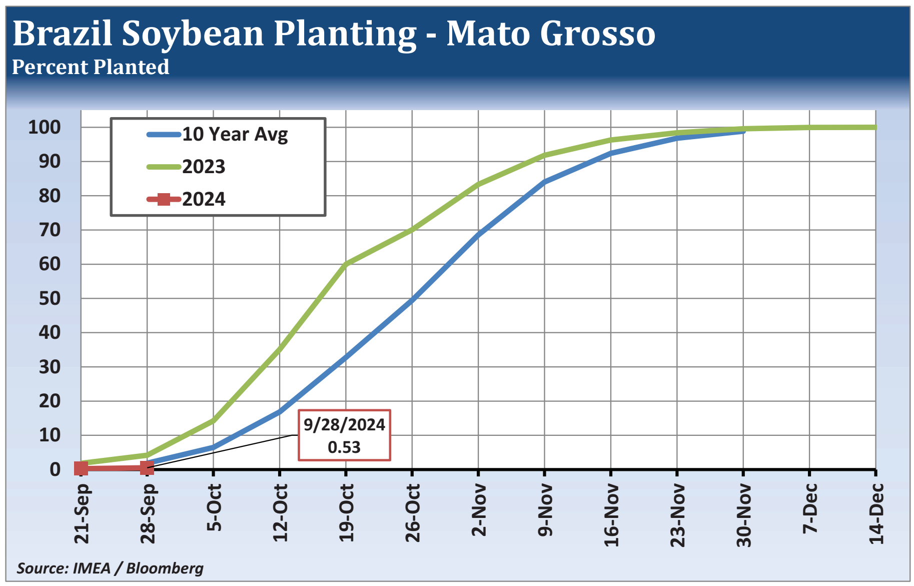
Several other developments affected the soy complex this week. Soy processing plant disruptions in the southeast US that have not been fully resolved, as power has not been restored in some areas. The ADM soy processing facility in Des Moines is expected to be idle from mid-October to November for maintenance. The plant accounts for 12% of Iowa's crush volume. The US East Coast and Gulf Coast longshoreman strike was suspended today after a tentative agreement was reached, but the effect on soy exports has been minimal. Last and most importantly, the EU proposed delaying the implementation of their deforestation regulations until 2026.

The proposal surprised the market and meal prices fell sharply. The EU rules, commonly called EUDR, would have banned the import of bean and bean products from deforested areas and limited the amount of meal the EU could import from Brazil, which would have the most challenging time complying with the new regulations. The new rules would be a massive change for global soymeal trade flows, and the EU is expected to ratify the delay.

The two most bullish drivers of the recent rally, dryness in Brazil and potentially altered global soy trade flows due to the EU deforestation rules, are fading into the background with the proposed delay in implementation and better shower chances beginning late next week in Brazil. With the two bullish pillars potentially lost, traders are more likely to focus on US harvest pressure and burdensome supplies. We prefer to position on the short side for a harvest pullback over the next couple of weeks.

Option Trade Recommendation:

Bear Put Spread: **BUY** 2 November 1040 puts and **SELL** 2 November 1000 puts at a net cost of 13 cents or better for each spread or 26 cents for the pair. Risk the entire 13 cents per spread. Take profits on the entire position if November Futures touch 1002.



CORN UPDATE: PULLBACK LIKELY BEFORE MORE UP

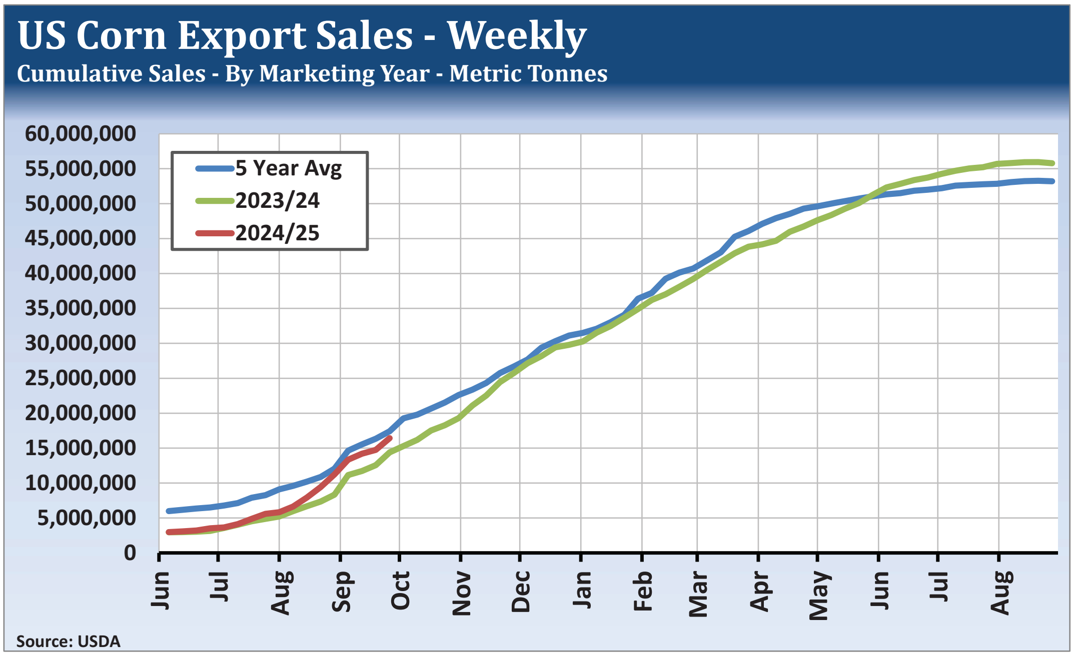
The corn market has seen aggressive fund buying over the last two weeks as open interest has consistently increased. CFTC data released late Friday afternoon is expected to show Managed Money traders' net short position dramatically reduced. The price rally since mid-August has been nearly $0.50 a bushel on December corn, and the upside gains may have run their course for the time being as better shower potential in Brazil is forecast for late next week, and upcoming US harvest weather looks ideal.

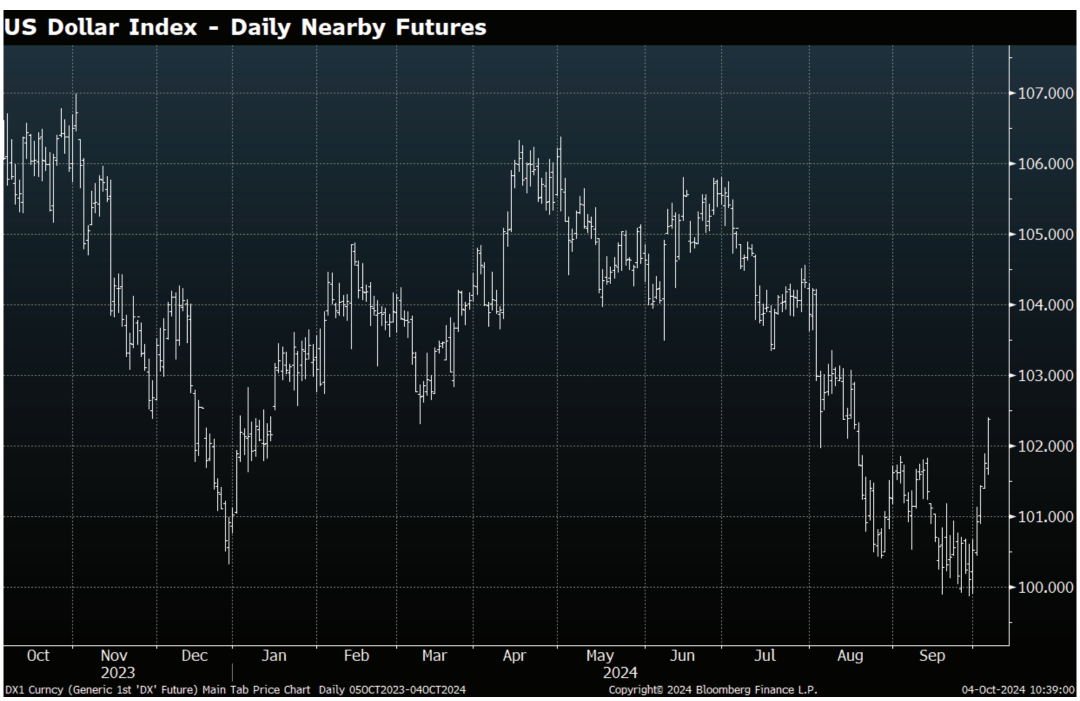
Corn harvest in France is far behind normal due to wet conditions, at only 2% complete versus the average of 23%, and Argentine planting is lower than average due to dry conditions. Furthermore, SovEcon lowered its 2024 Ukraine corn crop estimate to 23.5 million tonnes, down from 24.6 in its previous forecast, citing ongoing dry conditions. If not for a bumper US crop, traders would focus more on global supply reductions.

Weekly US corn export sales were very strong this week. Still, a hotter-than-expected jobs report Friday morning has pushed the US Dollar higher, putting inflation concerns back on the table, which may hurt US competitiveness. The conflict in the Mideast has potential to drive energy prices higher, which would add a bullish element to the corn trade. The potential of a pullback increased for this coming week, but strong support should be seen on a reasonable break, and we prefer to position long if prices pull back to support.

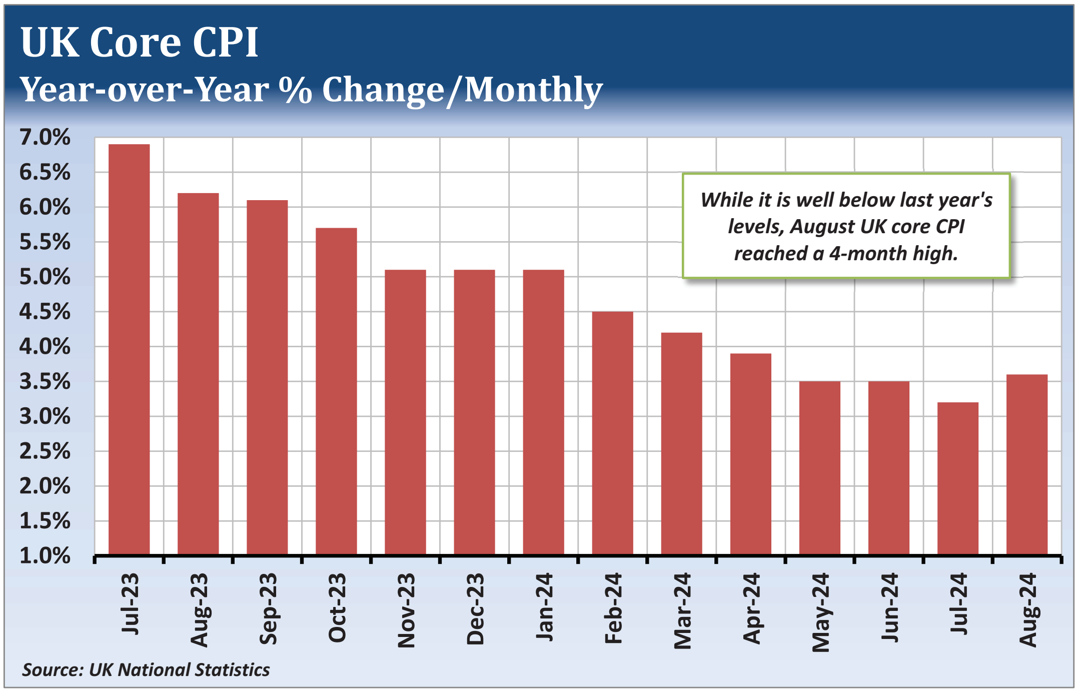
Suggested Trading Strategy

BUY 1 December Corn Futures on a pullback to 417. Risk 9 cents on the trade. Use an objective of 439 on December Futures.





BRITISH POUND CLOSE TO A BUY AFTER US JOBS DATA



The September US Employment Situation report was stronger than market expectations, putting pressure on the major currencies. After sizable losses earlier this week, the British Pound rebounded from post-report losses and is showing signs that a near-term low may be close at hand. With the Fed likely to cut rates at their November and December FOMC meetings, the Pound should remain well supported.

A large portion of the Pound's losses this week were a reaction to an interview with Bank of England Governor Bailey, who said the BOE could become "more aggressive" in cutting UK rates if the news on UK inflation continued to be "good." The latest reading on UK CPI was for August and showed a 2.2% year-over-year rate, unchanged from July and close to June's 2.0% year-over-year reading and the BOE's inflation target.

However, August UK core CPI (which excludes food and energy) was 3.6% year-over-year versus 3.3% in July and was a four-month high. While the BOE cut rates at their August MPC meeting, they kept rates unchanged at last month's meeting. If the BOE holds off on an aggressive rate cut policy at the November and December MPC meetings, the Pound should outperform the Dollar during the fourth quarter.

Suggested Trading Strategy

Option Spread: **BUY** a December British Pound 1.3200/1.3500 bull call spread at 0.0076 or better. Use an objective of 0.0260 and risk the entire spread premium on the trade.

OPEC Daily Crude Oil Production

The OPEC Plus nations are ready to increase their cumulative crude oil production by 180,000 barrels per day in December as they start to relax their output quotas.

Courtesy of OPEC, these are their estimated daily crude oil production levels during September (in barrels per day):

Saudi Arabia	8,990,000
Iraq	4,250,000
Iran	3,370,000
UAE	3,170,000
Kuwait	2,470,000
Nigeria	1,480,000
Algeria	900,000
Venezuela	890,000
Libya	600,000
Congo (Rep.)	240,000
Gabon	210,000
Equitorial Guinea	60,000

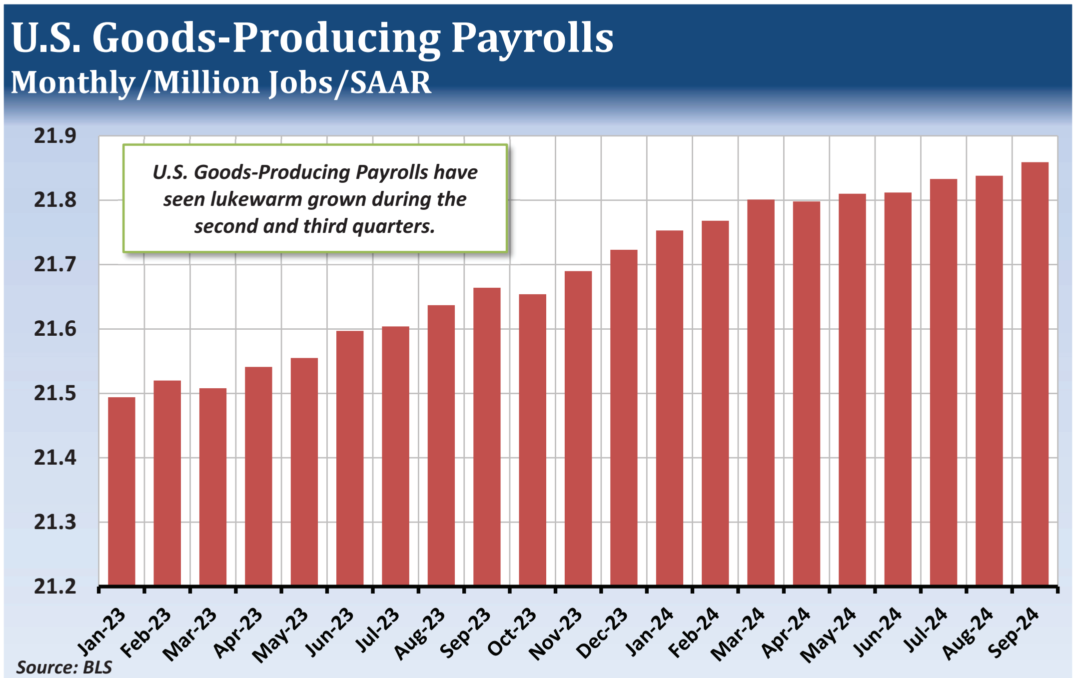
GOODS-PRODUCING JOBS REFLECT LUKEWARM GROWTH

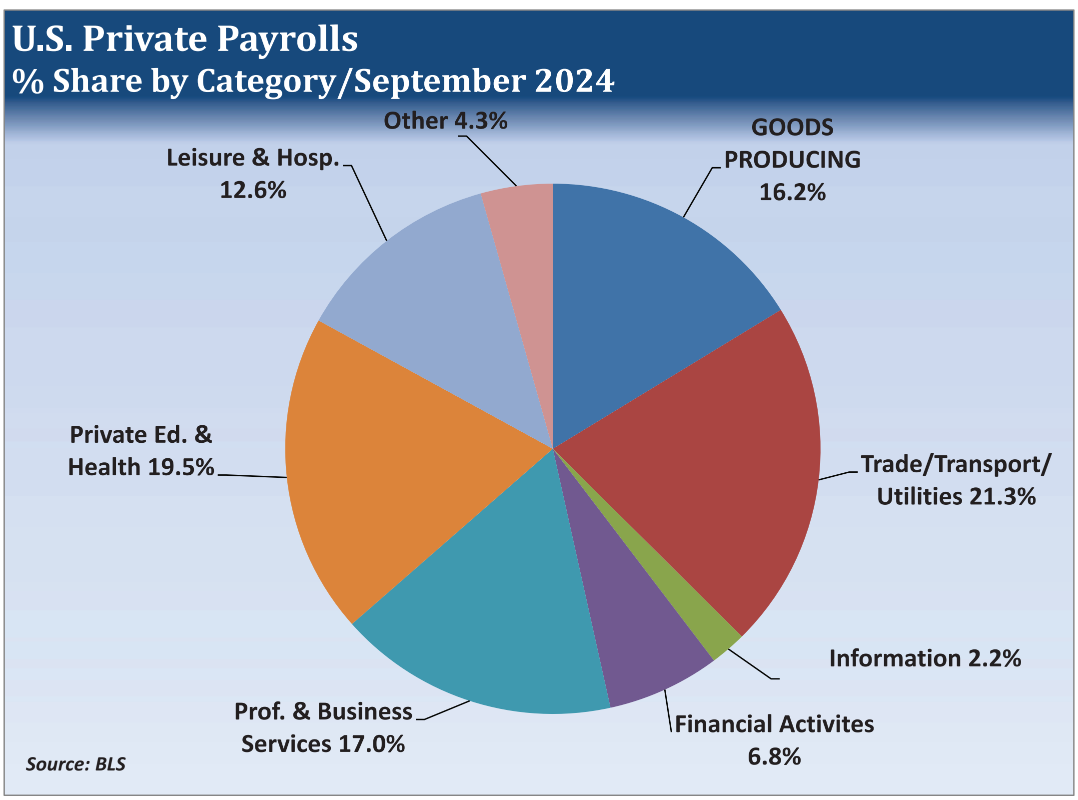
Goods-producing payrolls are one of seven subcategories in the monthly US private payrolls reading and is the only one that falls outside the service-providing category. This key subcategory shows signs of less robust growth than the typical headline numbers would indicate. As a result, it could have an outsized impact on the size of upcoming FOMC rate cuts over the rest of this year.

Friday's US Employment Situation report showed non-farm payrolls increasing by 254,000 in September, significantly above trade forecasts of 130,000 to 140,000. Private payrolls (85% of non-farm payrolls) rose by 223,000, exceeding expectations. September was the 45th month in a row that non-farm and private payrolls both showed a monthly increase. Private service-providing payrolls increased by 202,000 during September.

In contrast, goods-producing payrolls increased by a relatively small 21,000. On a seasonally adjusted basis, there were 21.859 million goods-producing jobs, 12.917 million of which were in manufacturing. This was a decline of 7,000 from August, the third monthly decline over the past four months, and the fifth monthly decline so far this year. Since December 2023, manufacturing jobs have been down 43,000, while overall goods-producing jobs have risen by 136,000.

Manufacturing jobs for building durable goods have fallen 51,000 since December 2023 and at 8.097 million (seasonally adjusted) are at an 11-month low. While goods-producing jobs are the fourth largest sector of private payrolls, their impact on overall market sentiment remains large. As a result, stagnant goods-producing jobs growth should give the Fed additional incentive for rate cuts over the rest of this year.





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COMMITMENTS OF TRADERS

Data As of October 1, 2024
Non-Commercial & Non-Reportable
Combined Futures & Options

Market	Net Position	Net Change	4-Wk Net Change	52-Wk Ranking
Grains				
CBOT Grains	-177,620	70,624	127,094	50
Corn	-72,711	43,946	39,147	51
KC Wheat	-9,350	1,712	2,233	52
Minn Wheat	-12,416	826	6,731	44
Rice	1,331	146	1,949	16
Soybeans	-84,071	25,562	81,341	34
Soyoil	50,589	32,210	61,879	52
Soymeal	132,705	48,345	76,780	45
Wheat	-20,838	1,116	6,606	52
Livestock				
Cattle	62,365	17,864	21,304	36
Feeder Cattle	-4,106	1,809	5,203	35
Hogs	62,093	10,639	29,680	41
Metals				
Copper	50,089	8,364	29,825	37
Gold	328,010	-9,516	23,152	50
Platinum	34,417	3,940	18,906	50
Silver	77,911	-3,520	19,477	47
Softs				
Cocoa	39,466	3,289	9,497	30
Coffee	69,463	-597	4,234	40
Cotton	-1,228	7,713	42,427	19
Milk	4,354	303	1,417	52
OJ	4,635	-585	-1,143	34
Sugar	164,978	17,080	115,559	44
Currencies				
Canadian	-61,471	-580	7,020	29
Dollar	-1,567	-661	-19,547	1
Euro	109,895	-18,257	-27,240	33
Energies				
Crude Oil	215,897	6,661	8,876	5
Gas (RBOB)	30,833	640	18,873	10
Heating Oil	-13,122	1,393	-6,519	3
Natural Gas	-95,368	-13,555	-21,077	13
Financials				
Bonds	20,133	56,118	-24,107	30
E-Mini S&P	73,016	37,027	74,131	46
Dow Jones $5	18,650	-197	9,468	38
T-Notes	-997,211	-97,426	-159,763	1
	Extreme			Ranking 1 = Shortest Short
	5% of Extreme			52 = Longest Long