

LAKEFRONT

FUTURES

THIS ISSUE

Near Term:

Bullish:	Corn Bonds Gold
Bearish:	Soybeans Sugar

Other:

Additional Fed Rate Cuts Should Boost US Light Vehicle Sales.

October 11, 2024

Economic Focus

While the markets received the widely anticipated aggressive easing move by the US Federal Reserve, the most recent (September) US jobs report tempered expectations for another aggressive rate cut on November 7th. In fact, the September nonfarm payroll jobs gain of 254,000 was the second-highest reading since the January reading and seemingly confirms a trend of recovery in the monthly jobs tally. However, the trade was justifiably suspicious of the large payroll gain, with US initial claims (released the day before) spiking up to the highest level since June 9, 2023! On the inflation front, US September consumer and producer price index readings posted minimal upticks, which rekindled a minimal revival of inflation concerns. On the other hand, at current inflation levels, the markets are splitting hairs on the magnitude and direction of inflation. Fortunately, for equity markets, treasury bulls, and physical commodities, the latest FOMC meeting minutes release showed only one dissenting

vote against the rate cut, and therefore, the Fed remains in an easing mode.

While we do not have the benefit of seeing the particulars of the long-anticipated Chinese stimulus package (Chinese government officials will lay out the specifics in a Saturday, October 12th press conference), the trade expects the outlook for China to improve, which in

turn could put a bid under many physical commodity markets. Certainly, the markets could be disappointed with the Chinese stimulus offering but a significant upside explosion in Chinese equity markets (on record weekly capital inflows) ahead of the initial announcement of the new stimulus package suggests confidence in the upcoming package.

MAJOR ECONOMIC EVENTS

October 15

- German ZEW Survey
- Canadian CPI
- NY Fed Empire State Survey

October 16

- Import & Export Prices

October 17

- ECB Meeting
- Retail Sales
- Jobless Claims
- Philly Fed Survey
- Industrial Production
- NAHB Housing Index
- Treasury International Capital

October 18

- Chinese GDP/IP/Retail Sales
- Housing Starts

Non-Financial - COT - Futures & Options

Non-Commercial & Non-Reportable Combined - Net Position



OVERVALUED/UNDERVALUED

Fundamental	Technical	COT
OVERVALUED		
Natural Gas	Gold	Silver
Cattle	Dollar Index	Hogs
Euro	Natural Gas	Cattle
UNDERVALUED		
Copper	Coffee	Notes
Bonds	Bonds	Canola
Japanese Yen	Canadian Dollar	Corn

OUR OPINION... MARKET BY MARKET

Market		*
Stocks	Goldilocks environment could become overpriced.	L
Bonds	Return to equilibrium between market & Fed = value.	L
Dollar	Winning by default as ECB doves face slowing data.	L
Euro	Numbers signal EU economy is slower than the US.	S
Gold	The bias remains up but vol to increase significantly.	L
Silver	Upside breakout/uptrend in ETF holdings is bullish.	L
Copper	China copper stocks tight + Chinese stimulus plan.	L
Crude	Middle East lift waning, direct supply threat is lacking.	S
Gasoline	Value @ \$2 Dec; tighter stocks, falling refining rates.	L
Nat Gas	Shoulder season demand slide = a test of \$3.00.	S
Soybeans	Nothing bullish from USDA, S American rains coming.	S
Corn	USDA data neutral, demand to surface on breaks.	L
Wheat	Russia port attacks support pullbacks.	L
Hogs	Strong weekly close points to rally continuation.	L
L Cattle	Rally slowing, significant resistance above.	N
Sugar	India & Thailand 2024/25 production will increase.	S
Coffee	Colombia's production continues to improve.	S
Cocoa	Heavy rainfall slowing West Africa main crop harvest.	L
Cotton	Hurricane Helene damage will underpin prices.	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.

OPTIONS SCAN

Undervalued

Buy Dec Copper \$4.46/\$4.53 bull call @ 0.0240

Buy Dec Dollar Index 102.50 put @ 0.75

Buy Dec Silver \$34.00/\$37.00 bull call @ \$0.29

Overvalued

Sell Dec RBOB \$2.25 call @ 0.0800*

Sell Dec Gold \$2,540 put @ 22.00*

Sell Dec Cattle 189.00 call @ 3.425*

Trend Reversals

Buy Dec Corn 425/405 bear put @ 7 1/2

Buy Jan Sugar 22.50 put @ 1.10

Buy Dec Bond 120.00/124.00 bull call @ 1-28

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	BOUGHT a December Gold \$2,690/\$2,800 bull call spread at 22.00.	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	Long a March 2025 Japanese Yen 75.00 call for 0.0082.	HIT PROTECTIVE STOP at 42 for a loss of 40 on the strategy.
Crude Oil 10/4/24	BOUGHT a December Crude Oil \$75.00/\$83.00 bull call spread at 1.73.	Use an objective of 5.60 and risk the option spread to a price of 0.60.
Bonds 10/11/24	BUY a December Bond 120.00/124.00 bull call spread at 1-30.	Use an objective of 2-53, and risk the option spread to a price of 0-56.
Gold 10/11/24	BUY a December Gold \$2,730/\$2,845 bull call spread for 17.00.	Use an objective of 54.00, and risk the option spread to a price of 8.00.

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.

BONDS AND GOLD!

In retrospect, the aggressive September and October washout in treasury bond prices represents a classic "sell the rumor" reaction to the widely anticipated shift to aggressive easing by the US Federal Reserve on September 18th. Clearly, the much stronger than expected September nonfarm payroll report released on October 4th facilitated aggressive downside follow-through, which in turn extended the September/early October decline in bonds to nearly 8 points! Going forward, the market has balanced the overall technical edition, and even minimal signs of weakness or softening inflation, could result in a sizable recovery bounce. Furthermore, the net spec and fund positioning in treasuries of 87,865 contracts on September 3rd was the largest net spec and fund long since early 2018, suggesting bullish sentiment toward treasury bonds was significantly overdone. Therefore, technical selling likely contributed to and exaggerated the washout of the last 30 days. However, the much better than expected September jobs report likely overstated the health of the jobs market and could be revised lower when the October jobs report is released in two weeks. In fact, US initial unemployment claims broke out to the upside from an extended sideways consolidation to post the highest weekly claims reading since June 9th, 2023. Certainly, it is possible that the last initial claims reading was impacted by Hurricane Helene and upcoming claims readings could be impacted by Hurricane Milton and therefore the standing of the US jobs market is up in the air! In the end, unless the US economy has regained its footing, we see December treasury bond prices as extremely oversold technically and very cheap fundamentally.

Obviously, the gold market has posted the most significant corrective action against the entrenched uptrend since early August, but the fundamental conditions behind the bull

market remain in place. While we do not think flight to quality has played a significant role in gold's historic 2024 rally, the potential for politically driven violence in the US following the upcoming election could easily propel gold to even loftier levels. However, the gold market will likely remain tightly tethered to the ebb and flow of market views on upcoming Federal Reserve action, which remains fixated on economic activity patterns and inflation readings. In retrospect, the \$91 correction from the late September high in December gold is typical of the volatility in the gold market and should not be viewed as a sign of a top. Therefore, we suggest traders view a correction to uptrend channel support of \$2542.50 as a fresh long entry point.

Suggested Long-Term Trading Strategies

- 1) **BUY** a December bond 120.00/124.00 bull call spread at 1-30 with an objective of 2-53. Risk the option spread to a price of 0-56.
- 2) **BUY** Dec Gold \$2,730/\$2,845 bull call spread for \$17.00 and use an objective of \$54.00. Risk the spread to a price of \$8.00.

US 30-Year Bonds - Non-Commercial & Non-Reportable COT - Futures & Options - Net Position



CORN UPDATE: USDA DATA NEUTRAL, DEMAND-LED SUPPORT EXPECTED ON BREAKS

Similar to beans, USDA failed to offer any significant changes to the US balance sheet, even though the US yield was raised by 0.2 BPA, compared to expectations of a slight decline. Ending stocks were slightly higher than expected due to the higher yield, even though US exports increased by 25 million bushels for 2024/25. Ukraine and China's corn production each cut by 1 million tonnes from last month. The report will quickly be forgotten next week.

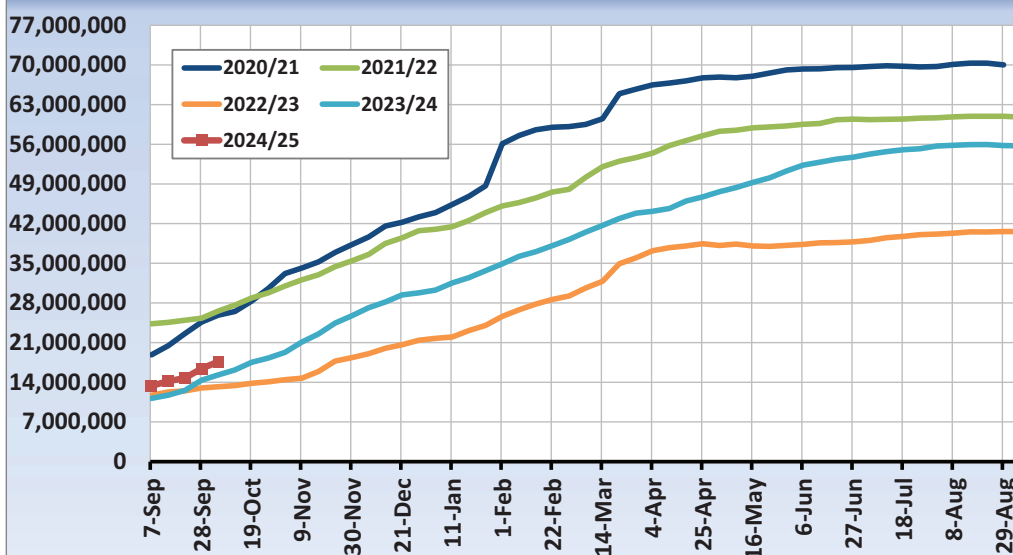
In a potential strategy change this week, Russia began strikes on ships carrying Ukrainian grain out of the port of Odesa and also attacked port infrastructure facilities this week. The multiple attacks may indicate Russia is now trying to limit Ukraine's war funding by significantly raising the risks and costs of transporting Ukraine's grain. The fact Ukraine is a major US competitor for global corn exports means the potential strategy shift could increase US export potential. If attacks continue this coming week, we anticipate traders will begin to pay attention to this new bullish market force.

USDA announced a morning flash sale Friday of 577,948 tonnes of corn sold to Unknown. Corn exports have recently been solid despite the rally in the US

USDA SUPPLY/DEMAND					Oct	Sep	Oct
US CORN					USDA	USDA	USDA
	18-19	19-20	20-21	21-22	22-23	24-25	24-25
Planted Area (M Acres)	88.9	89.7	90.7	92.9	88.2	90.7	90.7
Harvested Area (Acres)	81.2	81.0	82.2	85.0	78.7	82.7	82.7
Yield (Bu/Acre)	176.4	167.5	171.4	176.7	173.4	183.6	183.8
Beginning Stocks (M Bu)	2,140	2,237	2,004	1,235	1,377	1,812	1,760
Production	14,322	13,568	14,087	15,018	13,651	15,186	15,203
Imports	28	42	24	24	39	25	25
Supply, Total	16,490	15,847	16,115	16,277	15,066	17,022	16,989
Feed & Residual	5,392	5,778	5,667	5,671	5,486	5,825	5,825
Food, Seed & Industry	6,792	6,286	6,466	6,757	6,558	6,840	6,840
Ethanol for Fuel	5,378	4,857	5,028	5,320	5,176	5,450	5,450
Domestic Total	12,185	12,064	12,134	12,427	12,044	12,665	12,665
Total Exports	2,068	1,778	2,747	2,472	1,662	2,300	2,325
Use, Total	14,253	13,843	14,881	14,900	13,706	14,965	14,990
Ending Stocks	2,237	2,004	1,235	1,377	1,360	2,057	1,999
Stocks/Use Ratio	15.7%	14.5%	8.3%	9.2%	9.9%	13.7%	13.3%

US Corn Export Sales - Total Commitments

Current Marketing Year - Weekly - Metric Tonnes



Source: USDA

Continued on Next Page...

CORN UPDATE: USDA DATA NEUTRAL, DEMAND-LED SUPPORT EXPECTED ON BREAKS

Continued from Previous Page

Dollar over the last couple of weeks. US export prices should remain very competitive through the end of the year, which is expected to encourage demand-led support on pullbacks.

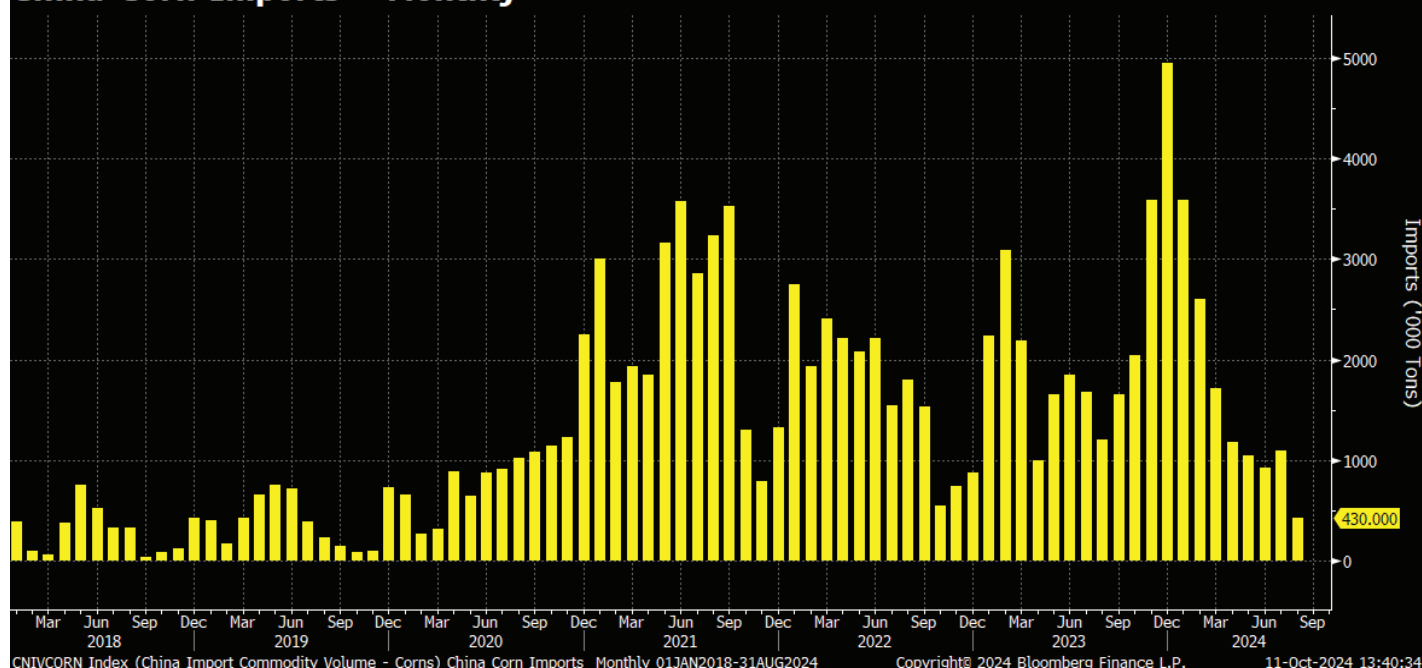
December corn rallied roughly \$0.50 from the August lows to last week's highs and has pulled back to the 38.2% retracement level. More significant 50% retracement support comes in at 410, and that level could be tested in the coming week as South American weather is improving. We prefer to position long if prices break to support.

Suggested Trading Strategies

Futures Trade Recommendation: **BUY** 1 March Corn on a pullback to 429. Risk 9 cents on the trade. Use an objective of 455.

Option Trade Recommendation: If December futures pull back to 411, **BUY** 2 December Corn 410 calls at the market. The calls should be roughly 10 cents each at that time. Once filled, risk the entire 10 cent premium and plan to take profits on a rally to 438 on December futures.

China Corn Imports - Monthly



Precipitation Forecasts

Precipitation (mm)
during the period:

???, 11 OCT 2024 at 00Z

-to-

???, 19 OCT 2024 at 00Z

???, 19 OCT 2024 at 00Z

-to-

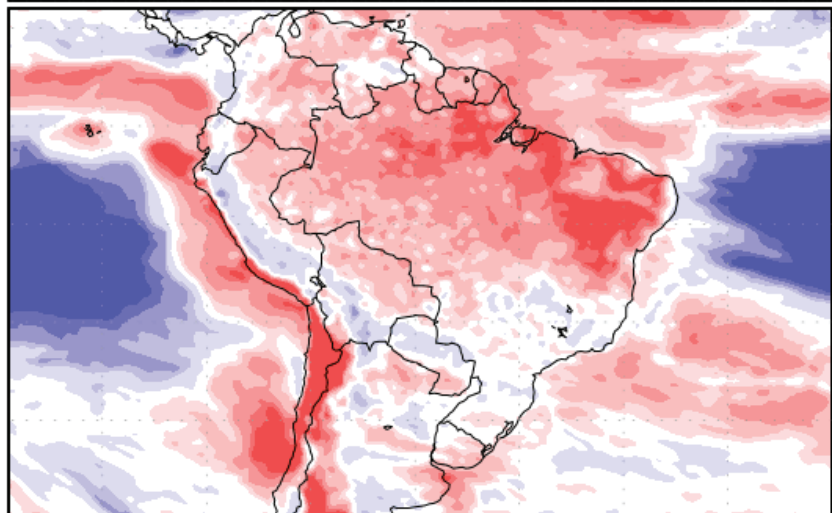
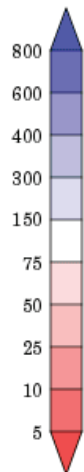
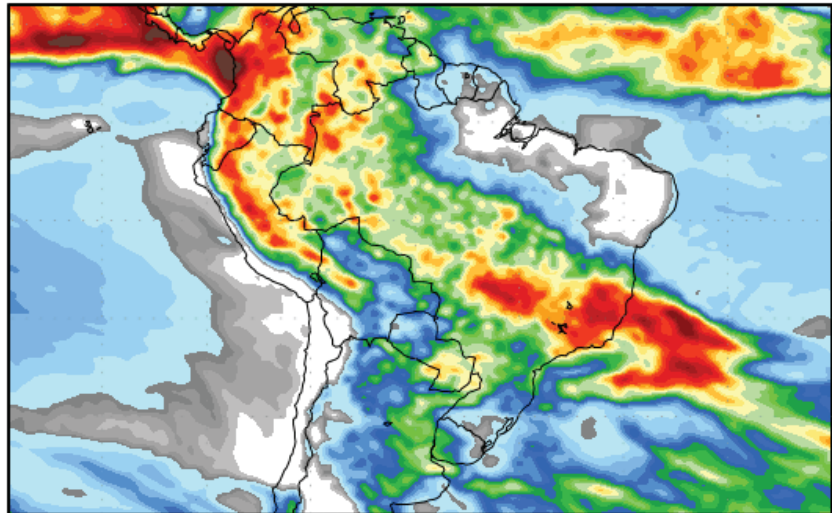
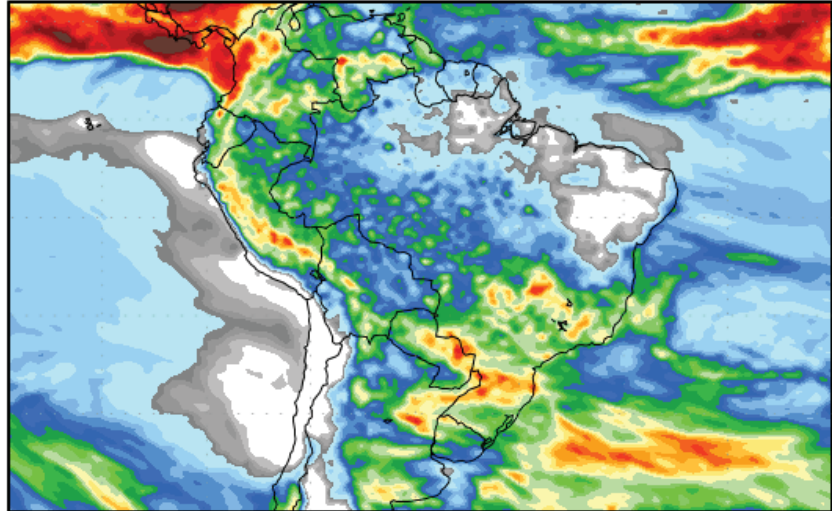
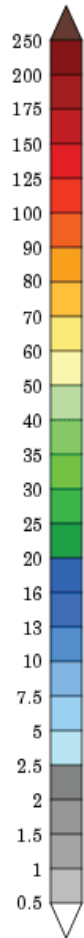
???, 27 OCT 2024 at 00Z

Precipitation (% of normal)
during the first period:

???, 11 OCT 2024 at 00Z

-to-

???, 19 OCT 2024 at 00Z



Precipitation forecasts from the National Centers for Environmental Prediction.
Normal rainfall derived from Xie-Arkin (CMA) Monthly Climatology for 1979-2003.
Forecast Initialization Time: 00Z11OCT2024

hADS/COLA

SOY UPDATE: USDA OFFERS NO SURPRISES; FUNDAMENTALS REMAIN BEARISH

The October USDA supply/demand report was considered a non-event. There was a minimal 0.1 BPA drop in yield from September, right on expectations, and minimal changes to the balance sheets. US 2024/25 ending stocks were left unchanged, nor were there changes made to South American production numbers this early in the growing season. The report will be quickly cast aside but does nothing to change the bearish fundamental issues. Weather will return as the dominant market force next week.

Brazil's dry season is finally ending as monsoon rains fill in over the next two weeks, just in time to improve planting conditions. The dry season started earlier and extended longer than usual. Significant soil replenishing moisture is needed to improve planting conditions. This past week, the pattern change has been a bearish factor for the soy complex, and over time, Brazil's rivers are expected to rise from their current shallow levels, easing transportation problems. Argentine bean planting begins in November, and rain chances are showing in the extended forecast.

To date, China's stimulus measures have not been considered significant enough to boost the economy, which has tamped expectations for Brazil's bean imports. However, China purchased a few US and Brazilian soybean cargoes this week. Chinese government officials will hold a press conference this weekend laying out the details of the stimulus package. If traders are impressed, the meeting could lend support to beans next week. Unfortunately for the bulls, the ongoing US harvest and South American weather trending toward improvement are expected to cap rallies in November beans.

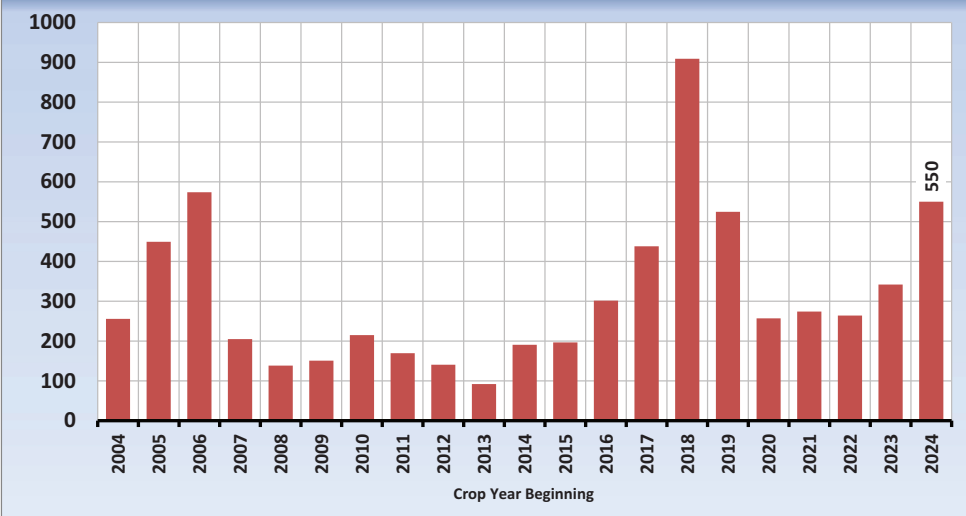
This past week, November beans pulled back to 50% retracement of the recent rally since mid-August but fell below that level at the close of the week. If prices fall below the September lows of 995 ½, a retest of the contract lows at 955 would be possible, especially if the ongoing pattern change in South America sparks significant rains. We prefer to line up on the short side.

Suggested Trading Strategy

Option Trade Recommendation: **BUY** 1 December Soybean 1020 put option and **SELL** 1 December Soybean 1060 call for a net cost of 11 cents or better. Risk 14 cents on the entire position. Take profits on the entire position if January futures touch 977.

USDA SUPPLY/DEMAND US SOYBEANS					Oct	Sep	Oct
	18-19	19-20	20-21	21-22	USDA 22-23	USDA 24-25	USDA 24-25
Planted Area (M Acres)	89.2	76.1	83.4	87.2	87.5	87.1	87.1
Harvested Area (Acres)	87.6	74.9	82.6	86.3	86.2	86.3	86.3
Yield (Bu/Acre)	50.6	47.4	51.0	51.7	49.6	53.2	53.1
Beginning Stocks (M Bu)	438	909	525	257	274	340	342
Production	4,428	3,552	4,216	4,464	4,270	4,586	4,582
Imports	14	15	20	16	25	15	15
Supply, Total	4,880	4,476	4,761	4,737	4,569	4,941	4,939
Crushings	2,092	2,165	2,141	2,204	2,212	2,425	2,425
Exports	1,753	1,683	2,266	2,152	1,980	1,850	1,850
Seed	88	97	101	102	75	78	78
Residual	39	11	-4	5	39	38	36
Use, Total	3,971	3,952	4,504	4,463	4,305	4,391	4,389
Ending Stocks	909	525	257	274	264	550	550
Stocks/Use Ratio	22.9%	13.3%	5.7%	6.1%	6.1%	12.5%	12.5%

US Soybean Ending Stocks Million Bushels



SUGAR PRICES OVERVALUED AFTER SEPTEMBER UPDRAFT

Last month, sugar prices rallied 4.86 cents (25%) in twelve trading sessions to reach their highest levels since December 2023. Over the past two weeks, however, sugar prices have been unable to extend their September rally further to the upside. As the market's supply focus shifts from Brazil's Center-South to Asian production, sugar prices are vulnerable to a sizable pullback.

Sugar's September updraft was primarily due to fires breaking out in Brazil's Center-South cane growing regions that would negatively impact this season's late-harvested cane and the 2025/26 crop harvested next year. The second-half September Center-South cane crush was 13.6% below last year, while sugar production was 16.3% below last year. Over the first half of the 2024/25 season, Center-South cane crush is still 2.3%, and sugar production is 1.5% ahead of last season's pace.

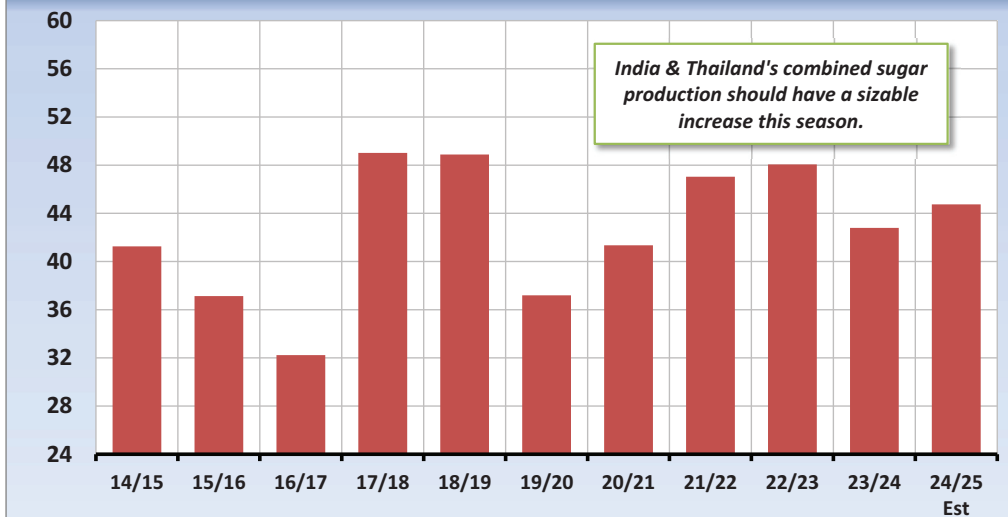
India's 2024 monsoon saw rainfall rise 7% above its long-period average. Above-average monsoon rainfall will benefit India's 2024/25 and 2025/26 cane crops and boost sugar production in both seasons. Thailand is looking at a sizable increase in sugar production as they have had much better-growing weather this year. If sugar prices fail in another retest of their September and October highs, it will provide an opportunity to approach the short side of the sugar market.

Suggested Trading Strategy

Option Spread: **BUY** a January Sugar 22.00/20.00 bear put spread at 0.70 or better. Use an objective of 1.80 and risk the option spread to 0.30.

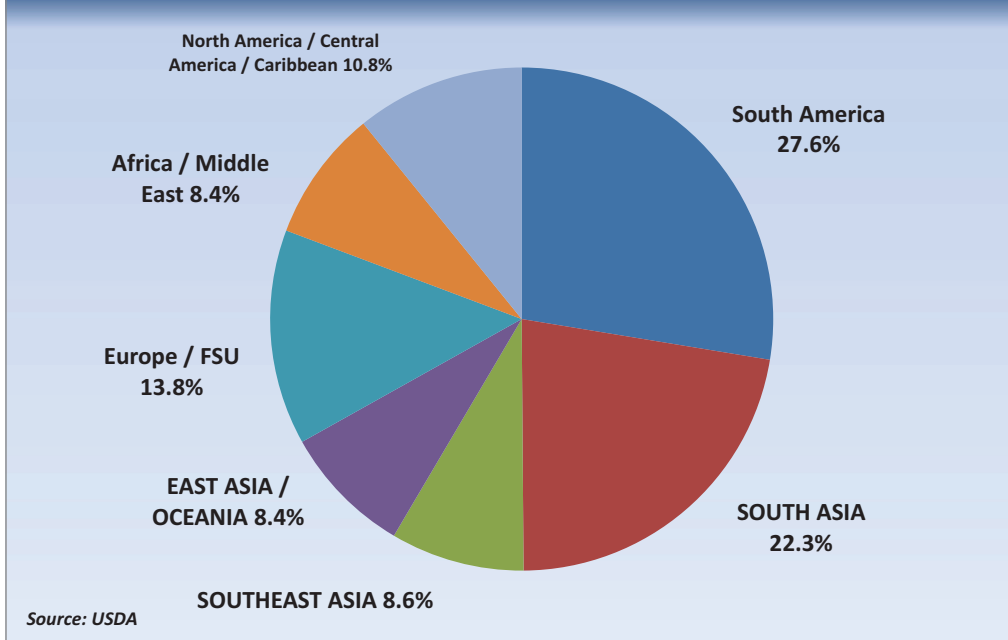
India + Thailand Sugar Production

Million Tonnes by Season



World Sugar Production

% Share by Region During 2024/25 Season



ADDITIONAL RATE CUTS SHOULD BOOST US LIGHT VEHICLE SALES

Light vehicle sales in the US have a notable inverse relationship with US interest rates. Raising rates slow sales, and falling rates increase sales. Following a 50-basis point (0.50%) move last month, if the Fed continues to cut rates at the November and December FOMC meetings, US light vehicle sales could reach a new multi-year high.

September US light vehicle sales were at a 15.775 million annualized rate, a sizable increase from the 15.264 million annualized rate in August. While this is below the three 1/2-year high seen in April (a 16.069 million annualized rate), eight of the past 12 months have had US light vehicle sales come in above a 15.5 million annualized rate.

Following a 39-year low in the early stages of the COVID pandemic (an 8.594 million annualized rate in April 2020), US light vehicle sales reached an 18.210 million annualized rate in April 2021 (a 16-year high) as consumers unleashed a wave of pent-up spending. From that point on, however, light vehicle sales dropped below a 13 million annualized rate by September 2021 as car and truck manufacturers paid the price for assembly line shutdowns during COVID.

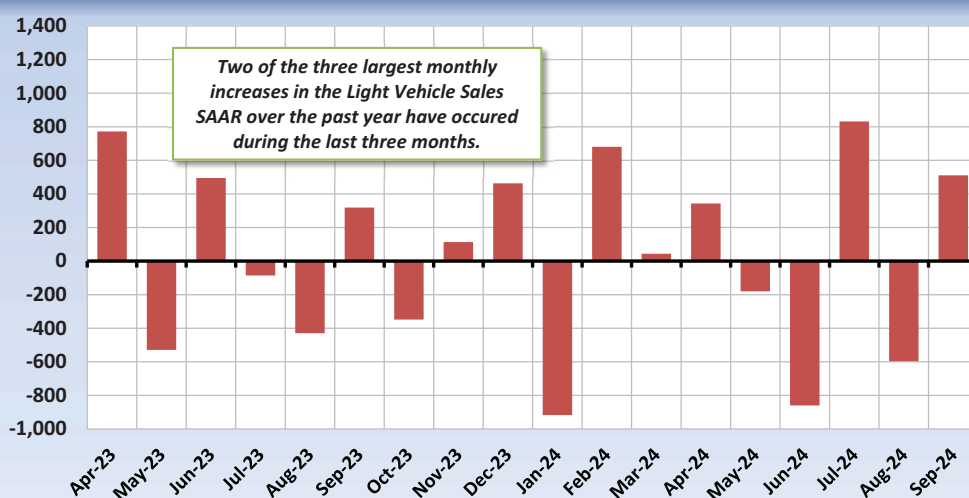
From March 2022 to July 2023, the Fed raised rates at eleven FOMC meetings. After reaching a 22-year target rate (5.25% to 5.50%), the Fed left rates unchanged for eleven FOMC meetings. While the Fed's quarterly economic

forecasts projected lower rates by the end of this year, it was not until last month's FOMC meeting that the Fed made its first rate cut since April 2020.

As of October 11, the CME's Fed Watch tool is projecting an 86% chance for a 25-basis point (0.25%) rate cut at the November FOMC meeting and an 83% chance for a further 25-basis point rate cut at the December meeting. Most consumers use credit to purchase large items, so the likelihood of more US Fed rate cuts this year should boost demand for those items.

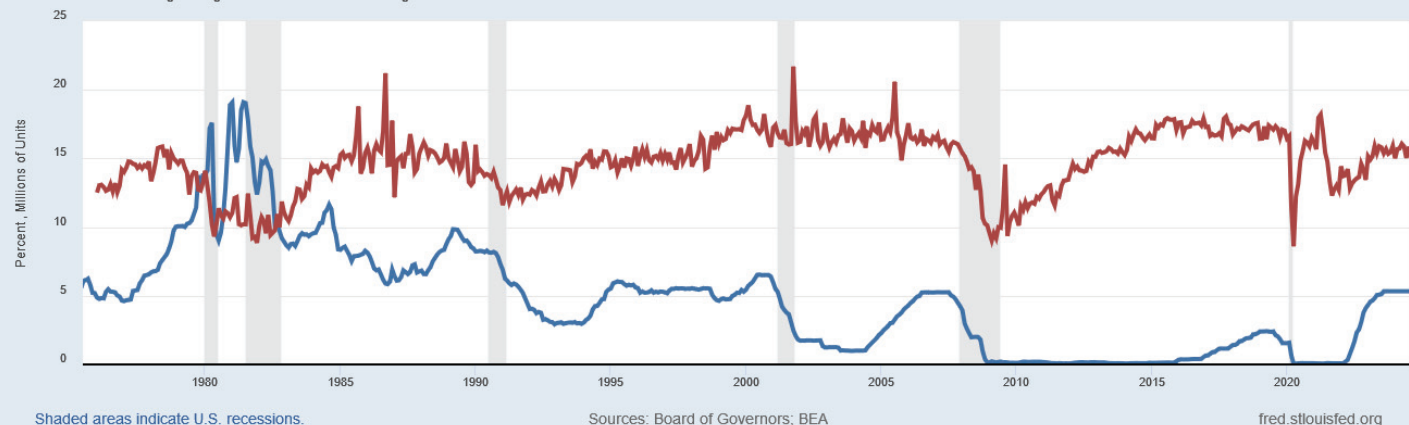
Also, robust US light vehicle sales should support the palladium, platinum, copper, and energy markets.

U.S. Light Vehicle Sales Monthly Net Change in SAAR/Thousand Units



Source: BEA

FRED Federal Funds Effective Rate Light Weight Vehicle Sales: Autos and Light Trucks





Lakefront Futures and Options, LLC is registered with the National Futures Association (NFA) as an introducing broker. Any recommendations, signals, or comments made in this communication do not take into account any particular individual's or company's objectives or needs, which should be considered before engaging in any commodity transactions based on content herein. The sources for the information in this communication are believed to be reliable. Past performance is not indicative of future results. Lakefront Futures and Options, LLC, or their affiliates may hold or take positions for their own accounts that are different from the positions recommended in this communication. Any material found in this communication is subject to change without notice. Trading derivatives is very risky and is not suitable for everyone.

COMMITMENTS OF TRADERS

Data As of October 8, 2024
Non-Commercial & Non-Reportable
Combined Futures & Options

Market	Net Position	Net Change	4-Wk Net Change	52-Wk Ranking
Grains				
CBOT Grains	-144,474	33,146	144,720	52
Corn	-42,564	30,147	70,586	52
KC Wheat	-408	8,942	9,696	52
Minn Wheat	-6,647	5,769	7,582	45
Rice	1,875	544	1,897	19
Soybeans	-76,024	8,047	76,557	36
Soyoil	59,202	8,613	73,786	52
Soymeal	125,137	-7,568	65,833	42
Wheat	-25,886	-5,048	-2,423	47
Livestock				
Cattle	72,309	9,944	33,899	47
Feeder Cattle	-2,439	1,667	5,960	46
Hogs	76,584	14,491	39,162	47
Metals				
Copper	51,246	1,157	23,553	38
Gold	303,557	-24,453	-29,357	44
Platinum	29,655	-4,762	2,885	42
Silver	73,808	-4,103	-1,838	38
Softs				
Cocoa	37,840	-1,626	4,765	30
Coffee	61,778	-7,685	-8,771	27
Cotton	-3,850	-2,622	16,280	18
Milk	2,356	-1,998	-1,502	48
OJ	4,813	178	-624	36
Sugar	143,573	-21,405	70,807	42
Currencies				
Canadian	-86,857	-25,386	-17,167	17
Dollar	-2,557	-990	-2,468	1
Euro	84,337	-25,558	-45,073	24
Energies				
Crude Oil	252,853	36,956	53,816	19
Gas (RBOB)	42,049	11,216	28,974	15
Heating Oil	-2,117	11,005	13,579	5
Natural Gas	-114,154	-18,786	-38,339	5
Financials				
Bonds	31,787	11,654	16,135	36
E-Mini S&P	70,459	-2,557	129,467	43
Dow Jones \$5	15,859	-2,791	-117	28
T-Notes	-877,035	120,176	12,698	4
	Extreme	Ranking 1 = Shortest Short		
	5% of Extreme	52 = Longest Long		