LAKEFRONT FUTURES

THIS ISSUE

Near Term:	
Bullish:	Soybeans Euro
Bearish:	Crude Oil

Other:

US Crude Production Continues to Reach Record Highs.

MAJOR ECONOMIC EVENTS

October 21
- Leading Indicators

October 23
- BOC Meeting
- Existing Home Sales
- Fed Beige Book

October 24
- Chicago Fed National Index
- Jobless Claims
- New Home Sales
- KC Fed Manufacturing Index

October 25
- Durable Goods
- Consumer Sentiment

October 18, 2024

Economic Focus

The direction of inflation is mostly clear now, with inflation data showing a trend lower in and out of the US. Therefore, the markets should turn to activity readings, followed closely by escalating influences of the upcoming US election, action in the Dollar, and, to a minimal degree, sentiment on the Chinese economy. Certainly, initial claims (and perhaps the last monthly nonfarm payroll report) was unduly impacted by the hurricanes hitting Florida and a large portion of the southeast. While the September nonfarm payrolls were much stronger than expected, it probably skirted the impact of the hurricanes, and claims data seemingly impacted, with initial and ongoing claims posting somewhat significant upside break-outs! In the meantime, a revitalization of AI investment interest, falling inflation, and falling rates should lift equities, treasuries, and, somewhat surprisingly, gold and silver.

Grain markets have returned to a downward bias with incoming US harvest supply accelerating and planting progress in South America gathering momentum, prompting the markets to remove the short covering premium in prices from late August to early October. Fortunately for the bull camp, export demand for corn has picked up despite US corn being priced at the worst currency-adjusted price this year. While the shorts could reload, we suspect they probably perceive peak bearishness in fundamental and technical conditions has been achieved, and interest in pressing the short side should abate, especially if the markets have already embraced overly bearish views based on strong US final production and very optimistic South American production. Therefore, short "put" positions could be attractive on spike down action in grains.

OVERVALUED/UNDERVALUED

Fundamental	Technical	COT
OVERVALUED		
Dollar Index	Dow Jones	Gold
Sugar	Cattle	Cattle
Hogs	Gold	Silver
UNDERVALUED		
Bonds	Coffee	Notes
Platinum	Crude	Canadian Dollar
Copper	Natural Gas	Canola

OUR OPINION... MARKET BY MARKET

Market		*
Stocks	Revival of AI optimism & falling inflation - bullish	L
Bonds	Lower inflation signals flowing bonds are now cheap	L
Dollar	Falling inflation with any slowing should create a top	S
Euro	Falling inflation and slowing factored value found	L
Gold	The trend is up but the market is technically extended	L
Silver	Following gold up but expect wild swings in prices	L
Copper	Maybe Chinese disappointment has been priced in	L
Crude	Cheap below $70, $7.00 off this month's high	L
Gasoline	Low EIA stocks falling refinery rate to build a bottom	L
Nat Gas	Approaching high cost of production supply no low yet	S
Soybeans	Hedge pressure fading but better demand needed	N
Corn	Strong export demand this week on weaker prices	L
Wheat	Rains in SW US Plains a temporary negative	L
Hogs	Strong uptrend intact, Dec nearing 2024 highs	L
L Cattle	Dec holding key moving ave support	N
Sugar	India & Thailand looking at larger 2024/25 production.	S
Coffee	Dry Brazil growing areas will reduce 2025/26 crop	L
Cocoa	Q3 European grindings fall to a 4-year low.	S
Cotton	Sept. Chinese imports down 50% year/year	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 Gold $2,800/$2,900 bull call @ 14.00

Buy Dec Bond 122.00 call @ 1-00

Buy Dec Yen 67.50 call @ 0.0090

Overvalued

Sell Dec Natural Gas $2.60 put @ 0.150*

Sell Dec Bond 117.00 put @ 1-22*

Sell Dec Copper $4.20 put @ 0.0620*

Trend Reversals

Buy Dec RBOB $2.08/$2.15 bull call @ 0.0150

Buy Dec Hog 75.00 put @ 1.10

Buy Dec Dollar Index 1.03 put @ 0.60

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	Long a December Gold $2,690/$2,800 bull call spread at 22.00.	Use an an objective of 69.00, and risk the option strategy to a spread price of 10.00.
Crude Oil 10/4/24	Long 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	**BOUGHT a December Bond 120.00/124.00 bull call spread at 1-21.**	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 **at 23.00.**	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.

PETROLEUM SELLING PRESSURE REACHING A CRESCENDO?

Calling a "low" in crude oil in the face of severe Middle East fighting is usually a precarious position. However, the Israelis have severely disabled Hamas leadership and seem to have offered a softened requirement for Peace with suggestions they would halt their attacks if hostages were released. Certainly, the situation is complicated, and achieving an agreement between the two parties is fraught with complications.

On the other hand, the crude oil market has periodically presented seasonal-low action around the beginning of November (there is no guarantee that the pattern will repeat in the future), and crude oil and gasoline EIA stocks have plummeted since the middle of the summer. Also, refiners historically reduce activity into the fall maintenance/shoulder season which will keep demand for physical crude soft before picking up into the end of the year.

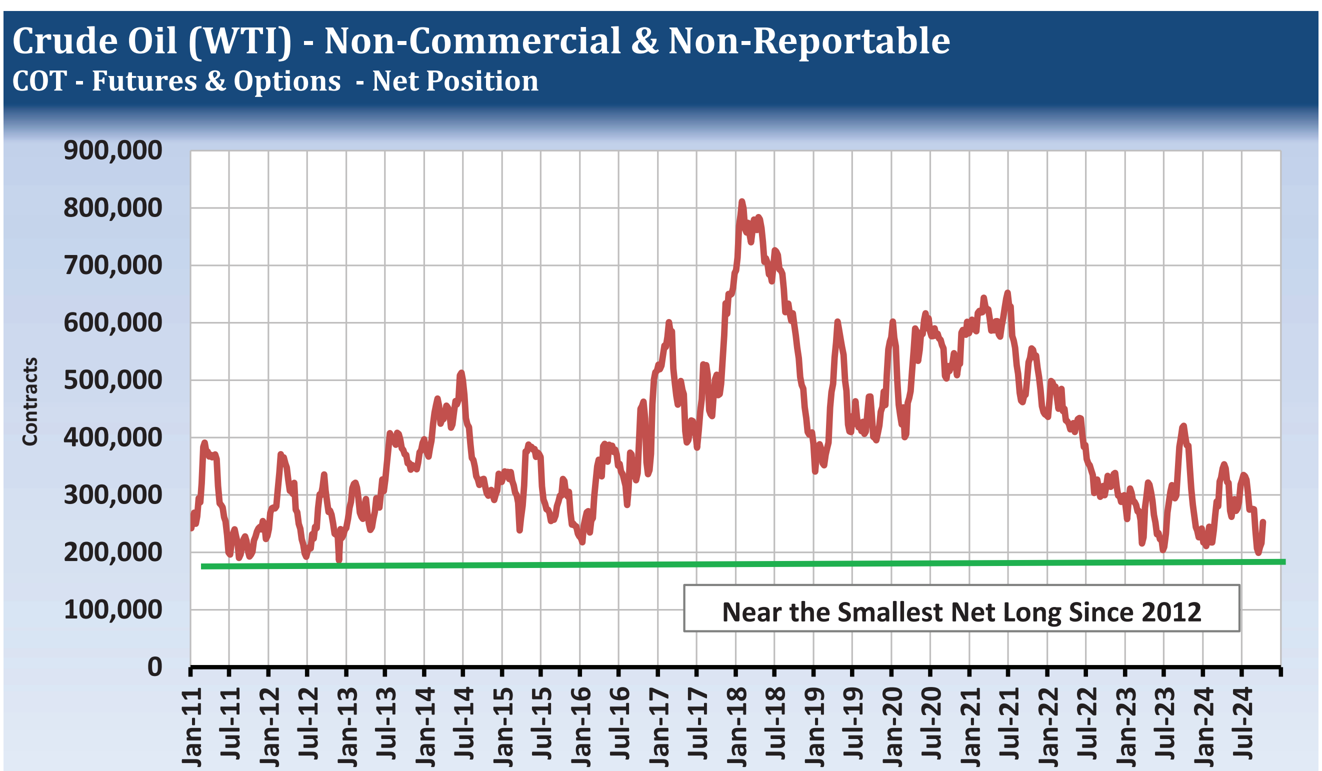
Certainly, a surging US dollar discourages US oil exports. However, Cushing Oklahoma inventories (many consider Cushing Oklahoma supplies a key export depot) last month were below 24 million barrels, which is regarded as very low. Overall US crude oil supplies are tight with EIA crude inventories currently 21 million barrels below five-year average levels for this time of the year, with those inventories recently nearly 50 million barrels below late June levels. Furthermore, we see demand for crude oil in the US picking up as last year's US refinery activity recovered from 85% to just under 94% from late October into the end of December. It should also be noted that five-year average refinery operating rates have jumped from 84% in early October to a peak of 90% in late November.

Finally, technical signals also favor a looming bottom with the net spec and fund long (adjusted into the October 17th low) likely the largest net spec and fund short positioning since the end of 2012! However, we see a final washout down if a plausible peace deal is offered or perhaps even if forthright negotiations take place. Short-term technical signals still point down but are likely to reverse on a moderate washout in prices. In conclusion, we see a downside target in December crude oil around $67.65, which is an uptrend channel support line drawn from the lows.

Suggested Short-Term Trading Strategies

1) (current timing) **BUY** December Crude Oil $68.00/$63.00 bear put spread at $1.10 and use an objective of $3.00. Risk the spread to a price of $0.40.

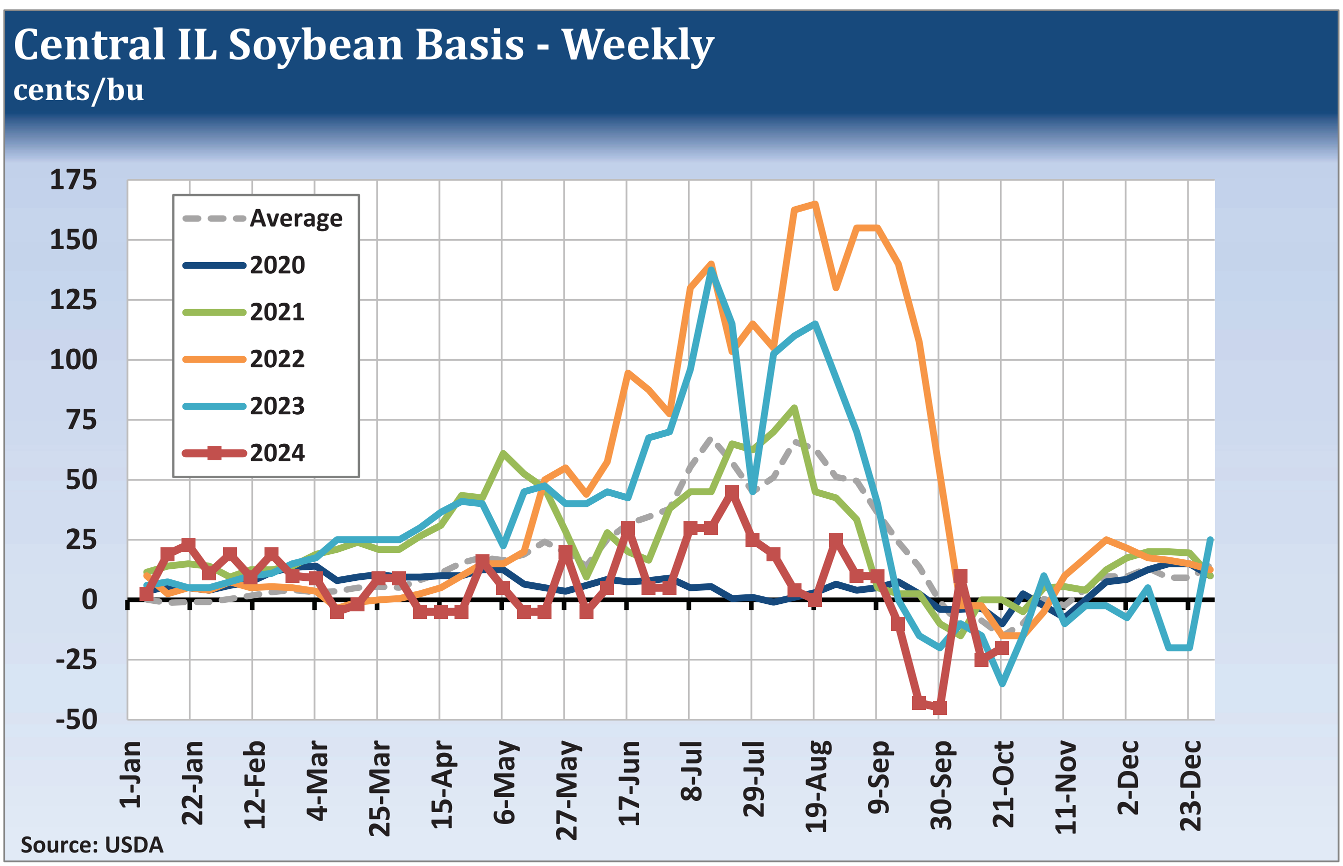
2) (If a washout occurs) **BUY** January Crude Oil $65.00/$70.00 bull call spread at $1.40 with an objective of $3.45. Risk the spread to a price of $0.70.



SOYBEAN UPDATE: US HARVEST IN FINAL STRETCH, BEARISH SUPPLY PRICED IN?

Soybean prices have had a tough month, weakening $1.00 a bushel since the first of October after losing the support of bullish South American weather once monsoon rains began in Brazil. Additional pressure came from the rapid US harvest pace and ideal weather, encouraging farmers to sell out of the field, with storage space becoming more challenging to find. This is the season's last heavy harvest weekend, and harvest will be in the final quarter starting next week. This past week, November beans fell within $0.13 of the contract lows made in August before rebounding late in the week. Adding to the weakness, EU countries signed off on the proposed deforestation rule implementation delay until 2026, although parliament must ratify the proposal in November.

China demand and weather in South America and the US will drive price action over the next few months. The US 2024/25 carryout, the highest since 2019, will provide a supply cushion for any minor weather problems in 2025. However, a major weather issue could give Managed Money traders a reason to position on the long side of the soy complex, driving prices higher. Significant questions regarding China's demand hinge on the new US President-elect's Chinese policies and diplomatic relations. Increasing tariffs on Chinese goods may result in a trade war, creating a negative price scenario. Global 2025 carryout is expected to reach a new record high, but world soybean consumption is also expected to reach a record high. According to USDA, Brazil's production is expected to hit a record high of 169 million tonnes in 2025, but that hinges on weather and the full growing season is ahead. Argentine's 2025 bean production is expected to be slightly above the previous season but well below the record high in 2014. Bean planting will begin next month in Argentina, and drier-than-average conditions have been an issue, but like Brazil, rains over the next two weeks are expected to reach many of the dry areas.



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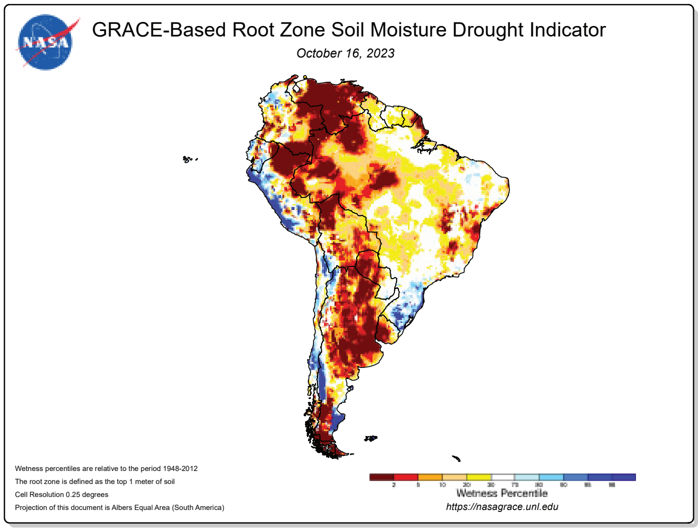

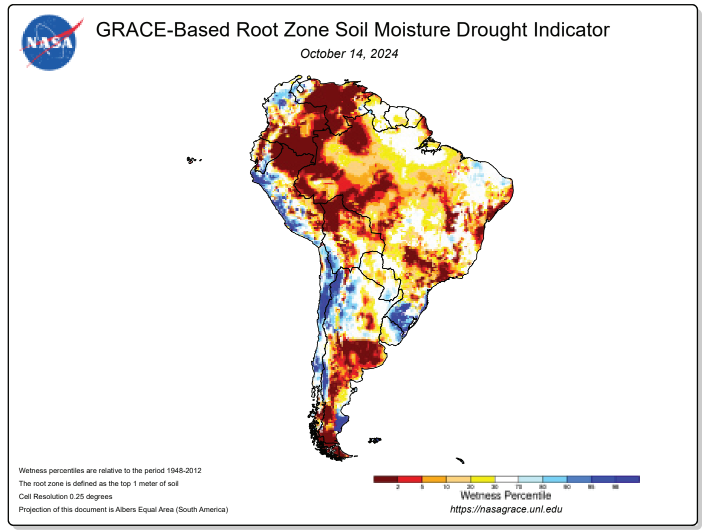

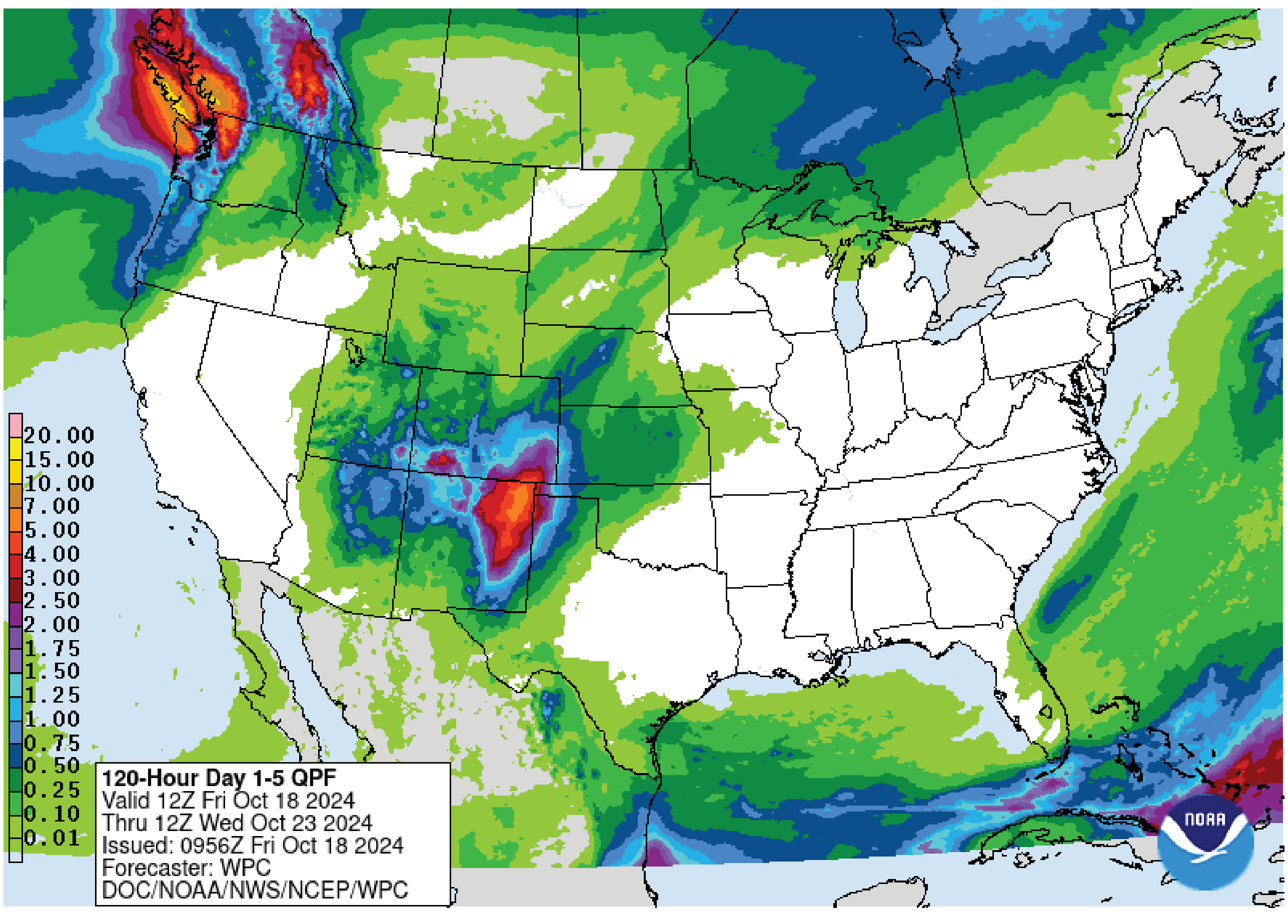

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SOYBEAN UPDATE: US HARVEST IN FINAL STRETCH, BEARISH SUPPLY PRICED IN?

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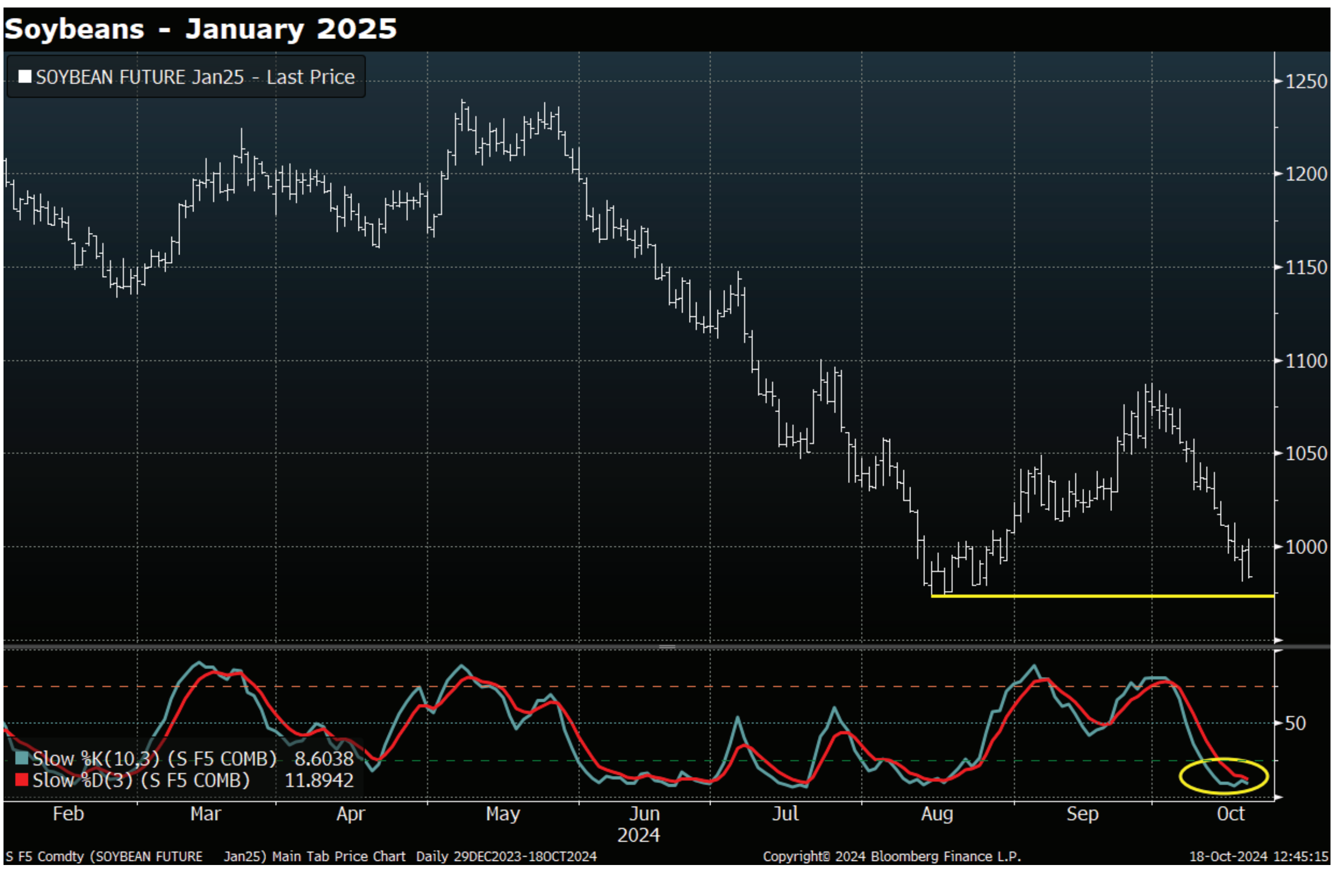
While soybean fundamentals remain bearish, the significant drop this month has likely priced in much of the negative sentiment, and US harvest hedge pressure will be fading. US bean export prices are the cheapest for global buyers despite the significant jump in the US Dollar this month. A major rally will need the support of threatening weather in South America. However, oversold conditions and contract low support could result in a price rebound of 35-50 cents in the near term.

Suggested Trading Strategy

BUY 1 January Soybean Futures on a pullback to 976. Risk 14 cents from entry. Use an objective of 1023.

Covered Call Option Trade Recommendation

BUY 1 January Soybean Futures at 979. Once filled, **SELL** 1 January Soybean 1030 call option at the market, which should be around 16 cents. Risk 15 cents on the entire position. Plan to take profits on the entire position if January futures touch 1029.



EURO COULD SEE A RECOVERY

The Euro has lost more than three cents to the Dollar, posting three weekly losses in a row. Following its October losses, the Euro is close to a longer-term low. However, if the Euro sees another downside move, it can outperform the Dollar and extend a recovery move.

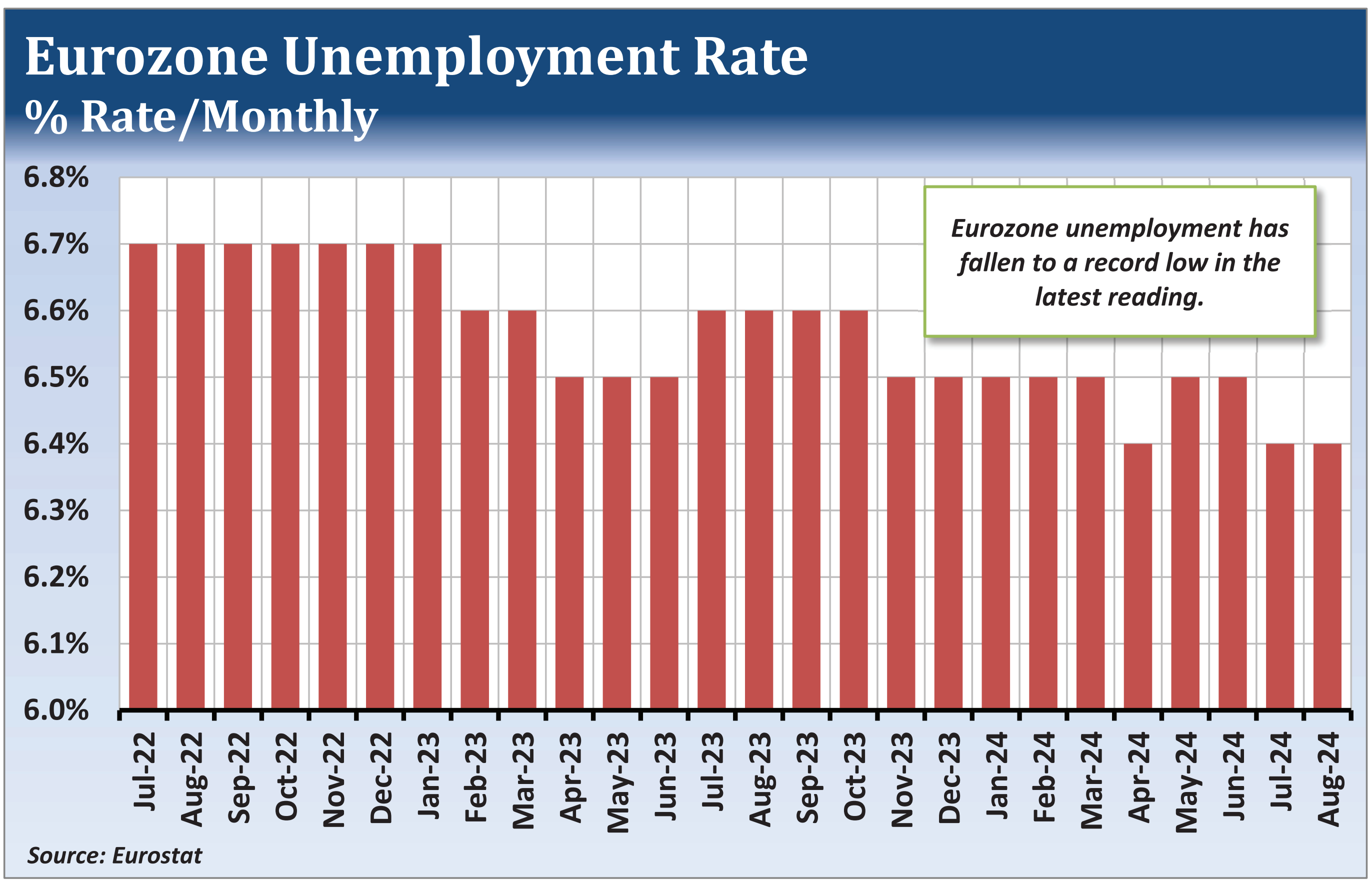
The Euro's October selloff was punctuated by a lower-than-expected September Eurozone CPI reading, which, at a 1.7% year-over-year rate, reached a two-and-a-half-year low. This was followed by the ECB making a second consecutive 25 basis point rate cut at Thursday's monetary policy meeting. The Federal Reserve and the European Central Bank are expected to continue cutting rates into next year.

At Thursday's post-meeting press conference, ECB President Lagarde noted that recent Eurozone data indicated that activity is weaker than expected and that Eurozone inflation will drop to its target during 2025. Lagarde also said that the ECB was still looking at a "soft landing," their labor market was resilient, and their surveys point to a gradual recovery in household spending.

Eurozone unemployment has been in a downtrend since September 2020, reaching a record low of 6.4% in August. A more robust Eurozone labor market may give the ECB pause for thought with upcoming rate cuts, which can provide the Euro with an advantage against the Dollar. As a result, one more downside leg can offer the opportunity to approach the long side of the Euro for a recovery move.

Suggested Trading Strategy

Option Spread: **BUY** a December Euro 1.0950/1.1150 bull call spread at 0.0048 or better. Use an objective of 0.0150 and risk the option spread to 0.0016.



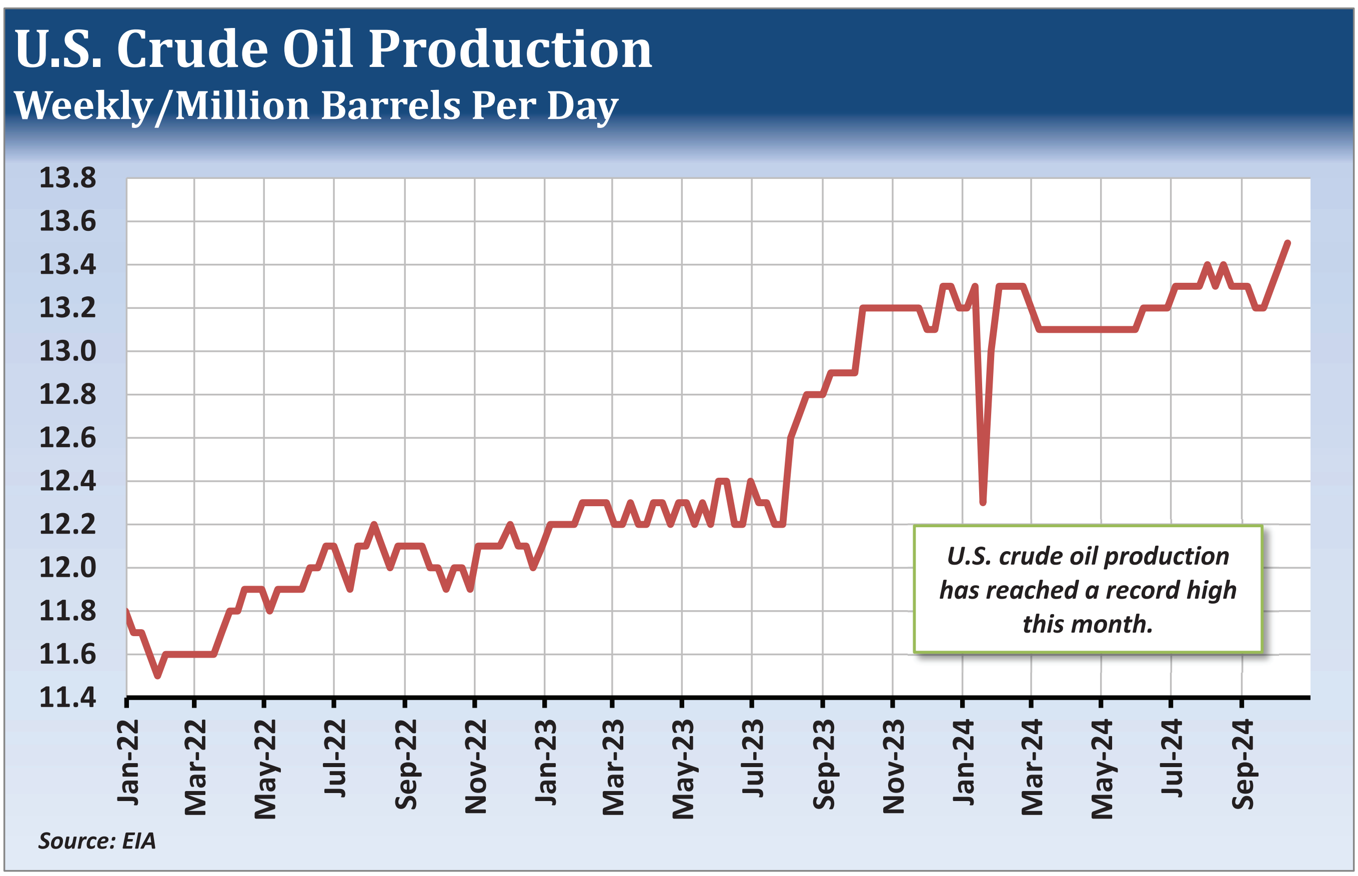
RECORD US CRUDE OIL PRODUCTION CONTINUES

According to the EIA's weekly report, US crude oil production set a new weekly record of 13.5 million barrels/day (bpd), overtaking the previous high set in August. It also marks the third consecutive week of production increases. US crude oil production has completely recovered from the "COVID contraction," which saw output fall from 13.1 million bpd in March 2020 to 9.7 million bpd in February 2021.

After reaching a new high of 13.2 million bpd in October 2023, US crude oil production has held chiefly within a very tight range. One week in January, production fell to 12.3 million bpd due to cold weather in Texas and North Dakota. Within two weeks, production returned to a new high of 13.3 million bpd. Since then, US crude oil production has not fallen below 13.1 million bpd.

At this point, the US is far and away the world's largest crude oil-producing nation. Saudi Arabia's production will increase if OPEC Plus output quotas are lifted, but their September crude oil production was "only" 8.99 million bpd. OPEC+ quotas are scheduled to be lifted at the end of November, but the agreement is yet to be finalized. Russia's September crude oil production was roughly 9 million bpd, Iraq (4.25 million bpd), Iran (3.37 million bpd), and the UAE (3.17 million bpd) is only a fraction of US production levels.

Remember that the Baker Hughes US oil rig count has been under 500 rigs since April and reached a 2 1/2-year low of 477 rigs in July, so energy firms have been holding back on exploration. Cushing, Oklahoma crude stocks are 5 million barrels from their operational low, which gives additional incentive to replenish US supply. As demand improves over the next few months, US crude oil production should climb further into record-high territory.



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COMMITMENTS OF TRADERS

Data As of October 15, 2024
Non-Commercial & Non-Reportable
Combined Futures & Options

Market	Net Position	Net Change	4-Wk Net Change	52-Wk Ranking
Grains				
CBOT Grains	-216,465	-71,991	31,779	41
Corn	-101,895	-59,331	14,762	47
KC Wheat	32	440	11,094	52
Minn Wheat	-5,199	1,448	8,043	46
Rice	1,781	-94	596	19
Soybeans	-92,348	-16,324	17,285	33
Soyoil	53,875	-5,327	35,496	51
Soymeal	82,588	-42,549	-1,772	31
Wheat	-22,222	3,664	-268	49
Livestock				
Cattle	76,674	4,365	32,173	50
Feeder Cattle	-1,848	591	4,067	48
Hogs	81,441	4,857	29,987	48
Metals				
Copper	44,597	-6,649	2,872	34
Gold	312,603	9,046	-24,923	47
Platinum	34,596	4,941	4,119	50
Silver	73,850	42	-7,581	38
Softs				
Cocoa	39,844	2,004	3,667	33
Coffee	67,099	5,321	-2,961	32
Cotton	-4,226	-376	4,715	18
Milk	268	-2,088	-3,783	44
OJ	5,366	553	146	44
Sugar	150,447	6,874	2,549	44
Currencies				
Canadian	-123,640	-36,783	-62,749	11
Dollar	-3,030	-473	-2,124	1
Euro	57,536	-26,801	-70,616	14
Energies				
Crude Oil	246,812	-6,041	37,576	19
Gas (RBOB)	55,748	13,699	25,555	23
Heating Oil	-6,398	-4,281	8,117	5
Natural Gas	-129,009	-14,855	-47,196	2
Financials				
Bonds	31,066	-721	67,051	35
E-Mini S&P	110,639	40,180	74,650	49
Dow Jones $5	15,668	-191	-3,179	27
T-Notes	-818,365	58,670	81,420	7

	Extreme	Ranking 1 = Shortest Short
	5% of Extreme	52 = Longest Long