LAKEFRONT
FUTURES

THIS ISSUE

Near Term:	
Bullish:	Corn Gold Bonds
Bearish:	Silver Coffee
Spreads:	
Bond Call/Put Spread	
Other:	
US Housing Sector Set To Improve.	

October 25, 2024

Economic Focus

The Last Week Before the Big Bang?

The U.S. economic outlook into what may be the most important U.S. election of the modern era is generally positive, with the economy holding steady and signs of inflation slowly easing. The latest Fed Beige Book indicated that most districts showed positive activity, and corporate earnings from cyclical companies were generally positive. However, expectations for improved Chinese physical commodity demand have moderated despite an aggressive stimulus package and a reduction in interest rates.

Precious metals have rushed to factor-in the potential for major negative events, with gold potentially targeting $3000 through next Tuesday. Other precious metals like silver, platinum, and palladium have started to play catch-up and might be an alternative to gold in hopes of a bigger upside and perhaps less risk. Surprisingly, the U.S. Dollar has also rallied following the 50-basis point U.S. rate cut and in the face of a major global financial, economic, and geopolitical uncertainty! The December dollar index has rallied 4% in October and, like precious metals, should be among the most volatile in the coming weeks!

Historically, markets tend to whip up price volatility and anxiety and puff up option premiums ahead of expected major junctions for geopolitical, financial, and economic psychology. They often inflate option premium costs so significantly that a major surprise is needed to expand those premiums to make a profit. However, given that incendiary campaign dialogue will likely increase, purchasing inflated option premiums is preferable to uncovered futures positions. With equal chances of existing trends accelerating or suddenly reversing, option strategies increase the chances of maintaining positions through potential wild price gyrations. We suggest utilizing risk-controlled strategies involving long futures/long puts, short futures/long calls, and net premium long option combinations.

OVERVALUED/UNDERVALUED

Fundamental	Technical	COT
OVERVALUED		
Gold	Natural Gas	Cattle
Silver	Sugar	Gold
Dollar Index	Cattle	Coffee
UNDERVALUED		
Platinum	Notes	Canola
Corn	Canadian Dollar	Canadian Dollar
Bonds	Cocoa	Notes

MAJOR ECONOMIC EVENTS

October 29

- Wholesale Inventories
- Goods Trade Balance
- Case-Shiller Home Price Index
- JOLTS Survey
- Consumer Confidence

October 30

- ADP Employment Survey
- Gross Domestic Product
- Pending Home Sales

October 31

- BOJ Meeting
- Euro Zone CPI
- Jobless Claims
- Personal Income

November 1

- Employment Situation
- Construction Spending
- ISM Manufacturing Index

OUR OPINION... MARKET BY MARKET

Market		*
Stocks	Selling the rumor of the election? Uncertainty surge?	S
Bonds	Value zone @ the recent lows; "Goldilocks" conditions.	L
Dollar	Overbought technically, but a lack of competition.	L
Euro	Undervalued, but EU growth lackluster; sell rallies.	S
Gold	Major volatility ahead w/a bullish edge; use options!!	L
Silver	A bullish edge w/major volatility ahead; use options!!	L
Copper	No gains on China rate cut & stimulus = bearish.	S
Crude	Demand concerns linger with strong $ limiting.	S
Gasoline	Expensive above $2.00, cheap below $1.95; sell rallies.	S
Nat Gas	Overbought both technically and fundamentallly.	S
Soybeans	Recent rally stalls, weak meal an anchor.	N
Corn	Pullback likely to uncover more demand; buy breaks.	L
Wheat	Technicals weakening, Russian prices will pressure.	N
Hogs	Pullback overdue, Dec testing contract highs.	L
L Cattle	Strong cash, election may elevate volatility.	L
Sugar	Rain over Brazilian growing areas will ease drought.	S
Coffee	2025/26 Brazil outlook improved by recent rainfall.	S
Cocoa	Sizable recovery move from a 2 1/2-month low.	L
Cotton	2024/25 India crop -2 m bales from 2023/24.	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 S&P 6060/6180 bull call @ 20.00

Buy Dec Bond 120.00 call @ 1-18

Buy Dec Corn 415 call @ 7 1/2

Overvalued

Sell Dec Natural Gas $3.25 call @ 0.200*

Sell Dec Hog 80.00 call on a rally @ 2.10*

Sell Dec Bond 114.00 put @ 0-41*

Trend Reversals

Buy Dec Hog 79.00 put @ 1.70

Buy Dec Gold $2700/$2645 bear put @ 14.00

Buy Dec Silver $31.00/$28.00 bear put @ 0.30

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 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	Long 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.
Silver+Gold 10/25/24	**BUY a January Silver $31.00/$28.00 bear put spread at 0.40 and then (hedge) BUY a December Gold $2,800 call at 25.00.**	**On an upside extension after the election, we will likely recommend liquidating the silver spread and holding the gold call. On a significant washout following the election, we will likely recommend liquidating the gold call and holding the silver put spread. Updates will be provided in upcoming publications.**
Bonds 10/25/24	**BUY a January Bond 121.00 call at 1-30 and BUY a December Bond 116.00 put at 1-01.**	**Use an objective on the January call of 2-45 and an objective on the December put of 4-01. Updates will be provided in upcoming publications.**
Dollar Index 10/25/24	**BUY a December Dollar Index 104.00 put at 0.99.**	**Use an objective of 2.20, and risk the position to 0.60.**
Corn 10/25/24	**BUY 2 May Corn 430 Calls and SELL 2 May Corn 490 Calls at a net cost of 18 cents per spread.**	**Look to take profits on the spread if May Corn futures hits 476, and risk 13 cents of the 18 cent cost of the position.**

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.

PRE-ELECTION TRADES

While the adage "the trend is your friend" has been a staple in the markets for many decades, many markets have already displayed significant factoring in opinions on the outcome of the U.S. election. At times, the equity market appeared to rally off signs of a Trump edge in the polls. At other times, they seem to retrench off predictions of post-voting turmoil. Obviously, the gold market has become the primary flight to quality instrument, with silver, platinum, and palladium initially lagging behind gold. However, December gold climbed from the 2024 low of $2,020 to the all-time high of $2,772, a nearly 35% gain, while the platinum market from the 2024 low has also posted a run of 35%. On the other hand, the silver market has rallied from $26.88 to $35.07 for a historic 55% gain. It should also be noted that silver ETF holdings in less than five months have seen a net inflow of 75 million ounces or a 10% influx. In our view, the ramping up of silver ETF holdings is a possible sign of a maturing rally with small traders chasing the market. Therefore, even though silver lagged the gold rally by five months, silver remains roughly $17 per ounce below its all-time high and has clearly not garnered as much headline hype as gold we see it as more vulnerable to a reversal than gold. However, both gold and silver appear to have residual speculative buying capacity with net spec and fund-long positions well below record highs.

We are not recommending long gold/short silver futures spreads but instead are recommending option strategies that emulate futures spreads. Obviously, gold and silver options are already premium rich, but silver options implied volatility was recently 35% with gold implied volatilities levels at 16%. If the bull market in precious metals extends beyond the election, we see the gold market outperforming silver. With a trend reversal, we see silver outdistancing gold on a violent correction.

Treasuries and the Dollar

Over the last two months, treasury bonds have dropped 10 points, and the Dollar index has rallied 400 points! In our opinion, the setback in treasury prices has been counter to classic fundamental conditions in the U.S. economy with inflation moderation, the Federal Reserve 50 basis point rate cut, and economic readings waffling. Certainly, the washout in treasuries could be caused by traders and funds reducing risk in a highly uncertain environment for financial markets. Still, one cannot discount the prospect that treasuries have fallen from favor because of surging fear of downgrade or default. On the other hand, the yield curve has recently shifted from inversion to a positive slope, which can signal U.S. growth and perhaps even a normalization of a very unusual credit market.

The treasury markets appear to be facing a significant pivot down or a sudden and aggressive recovery. Therefore, we suggest traders utilize the calendar spread in treasuries by purchasing December bond calls and January bond puts.

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PRE-ELECTION TRADES

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With gold prices exploding, treasuries out-of-favor, U.S. debt likely posting new records daily, and justifiable concern of widespread post-election unrest, the 400-point October rally in the Dollar Index is highly suspect. Unfortunately, viewpoints on the direction of the dollar given a Democrat versus a GOP victory are all over the map and extreme in most cases. However, given the aggressive Fed rate cut signals growth concerns at the Fed and most global inflation readings have softened, and without a political debacle, we see the dollar as expensive, especially with the consensus in the market that both parties will continue to add aggressively to the deficit. While it is possible that U.S. turmoil will provide the dollar with flight to quality buying, or the dollar could rally from a Trump victory, the bear case is more palatable than the bull case.

Suggested Long-Term Trading Strategies

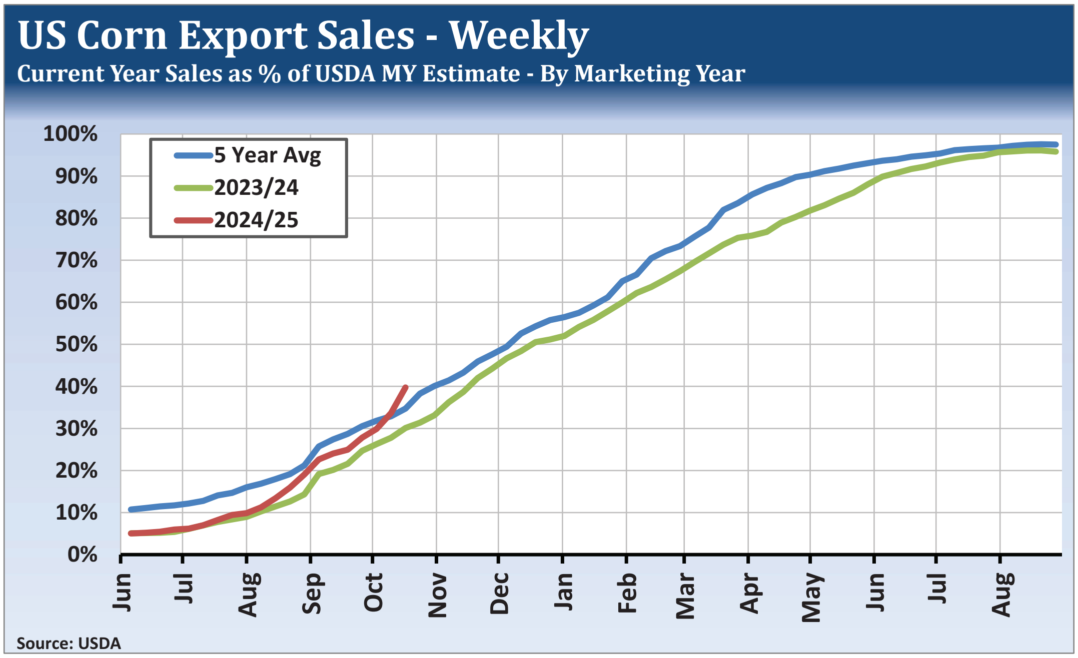
1) **BUY** a January Silver $31.00/$28.00 bear put spread at $0.40 and then (Hedge) **BUY** a December Gold $2,800 call at $25.00. On an upside extension after the election, we will likely recommend liquidating the silver spread and holding the gold call. On a significant washout following the election, we will likely recommend liquidating the gold call and holding the silver put spread. Updates will be provided in upcoming publications.

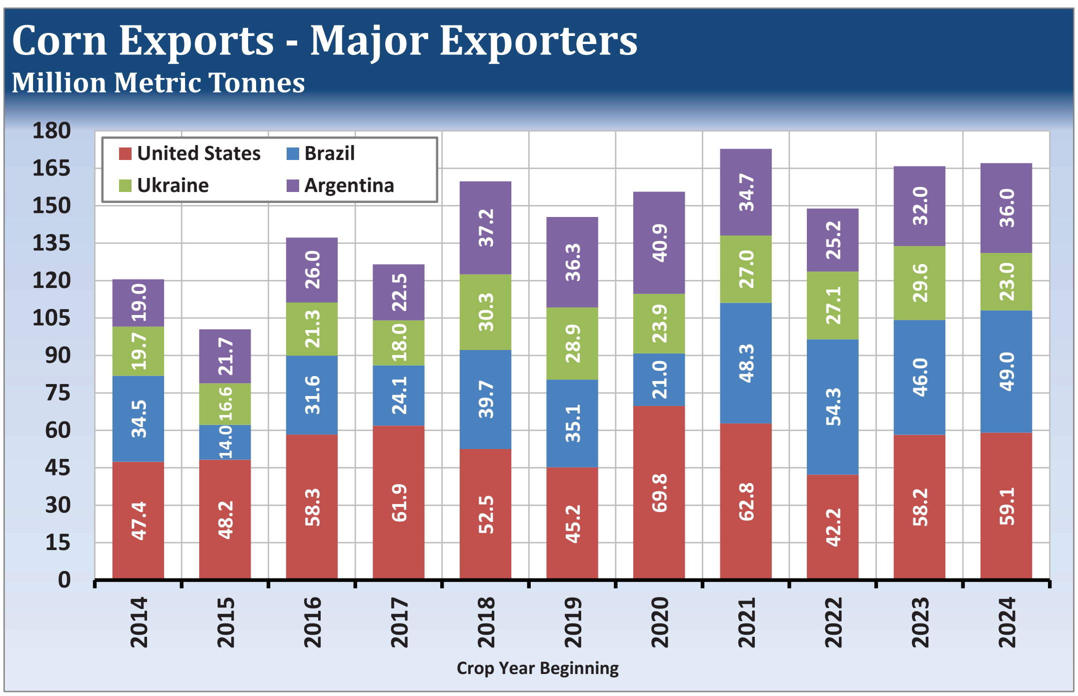
2) **BUY** a January Bond 121-00 call at 1-30 and buy a December Bond 116-00 put at 1-01. Use an objective on the January call of 2-45 and an objective of 4-01. Updates will be provided in upcoming publications.

3) **BUY** December Dollar Index 104 put at 0.99. Use an objective of 2.20 and risk the position to 0.60.

US CORN HARVEST WINDING DOWN, INCREASING DEMAND SUPPORTS

Corn demand has increased significantly over the last few weeks as U.S. export prices fell below competitors'. Solid demand will likely be one of the major market forces heading into 2025. This past week's export sales were the largest weekly total since 2021. Cumulative sales for the marketing year have reached 40% of USDA's forecast, a 3-year high. Corn prices were relatively firm in the first half of 2024 before the weather improved for most of the growing season, and prices trended lower into late summer off expectations of record yields and production. Front-month futures hit an August low of $3.60 ½, a 56% drop from the 2022 highs of $8.27. U.S. harvest is expected to be near 80% complete as of October 27, and harvest hedge pressure will diminish. Low moisture corn has been reported in many locations where precipitation has been scarce, which can ultimately result in a minor reduction in yield. Lower production in the E.U. and the Black Sea region is anticipated to reduce exportable supplies from those areas, allowing the U.S. to pick up additional business until South American supplies become available in late spring/early summer. However, the futures rally this past week pushed U.S. prices above Ukraine origin, which may temporarily reduce the recent strong export pace and result in a minor pullback.





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US CORN HARVEST WINDING DOWN, INCREASING DEMAND SUPPORTS

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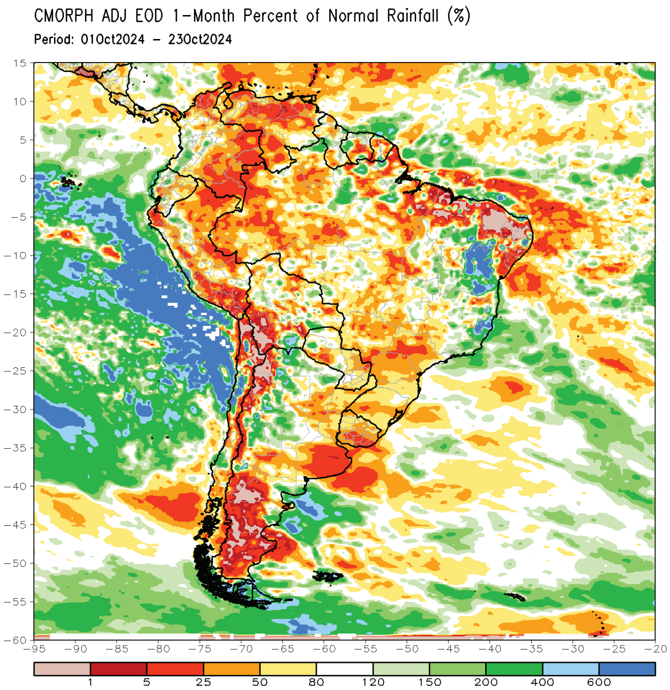

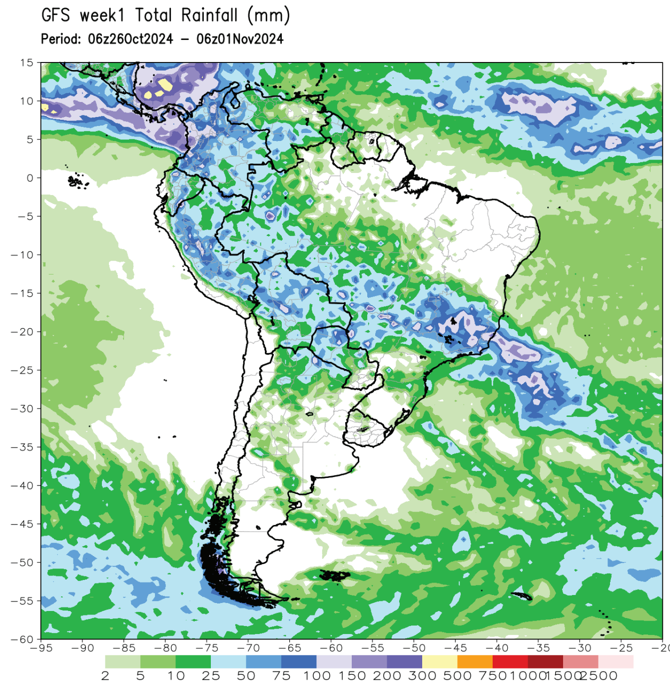

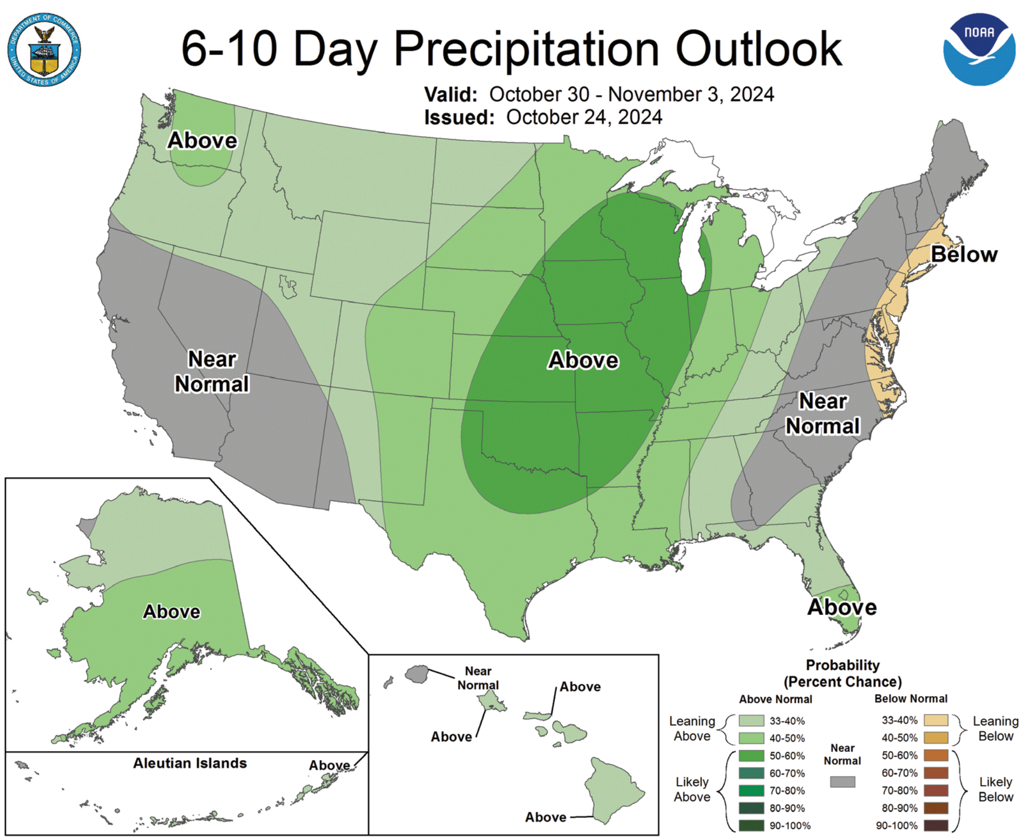

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US CORN HARVEST WINDING DOWN, INCREASING DEMAND SUPPORTS

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The U.S. will need the additional export business, as China is working toward self-sufficiency and has significantly reduced its expected import total to 13 million tonnes, half of 2023's levels. However, China could be behind recent sales to Unknown destinations over the past 2 weeks as they often say one thing and do another. The latest US Drought Monitor showed a dramatic increase in dry conditions across the U.S. Midwest, with the U.S. corn area now nearly 80% under drought. The dryness will have no effect on the current crop being harvested, other than possible minor yield loss due to low-moisture corn, but highlights the need for significant winter precipitation to avoid a further drawdown in soil moisture before spring planting.

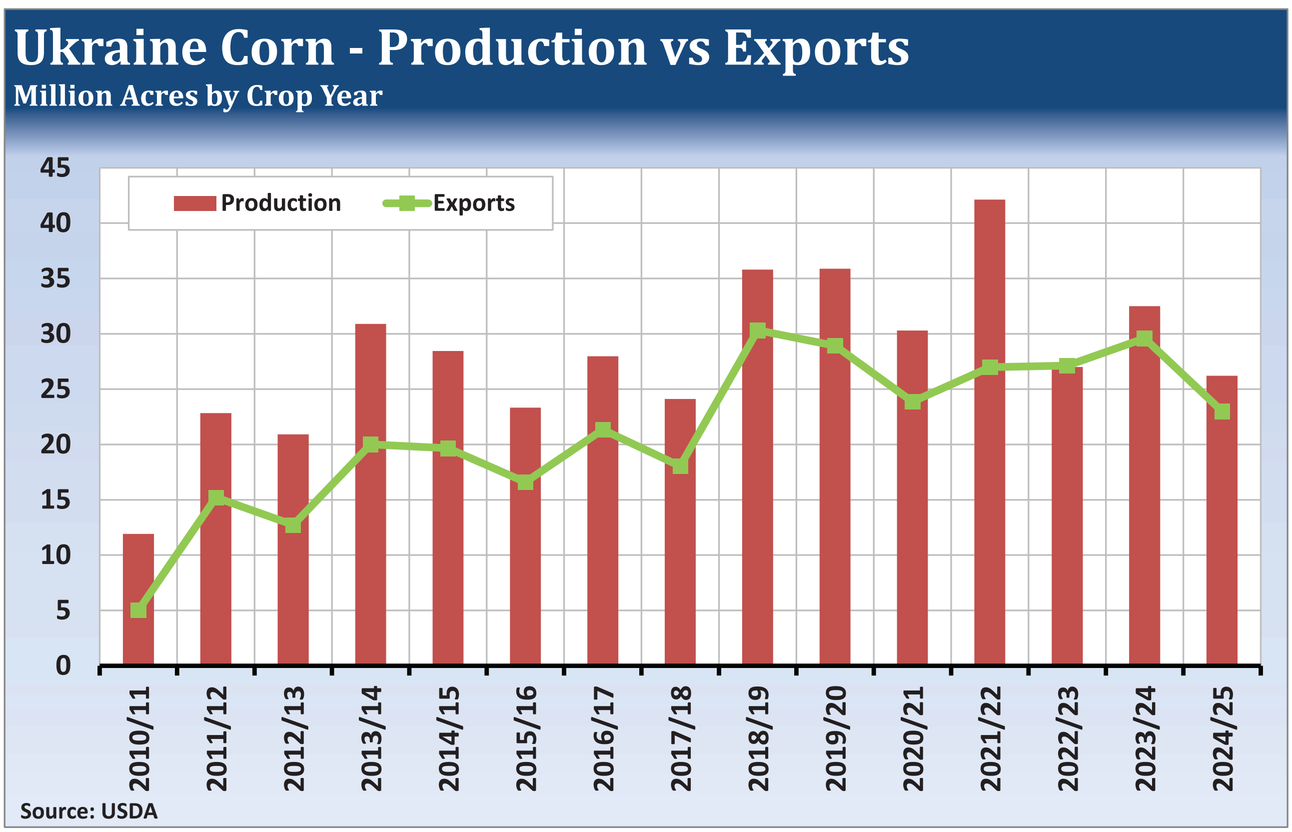
In the next few weeks, supply pressure will begin to fade, and demand should continue to expand on price breaks. This should keep a floor under corn prices as recent strong sales indicate global buyers see significant value when prices approach $4.00. Look for increasing volatility as the U.S. election nears, making covered futures strategies preferable to taking naked positions.

Futures/Option Trade Strategy

BUY 1 December Corn Futures on a pullback to 412. Once filled, **BUY** 1 December Corn 410 Put option, which should be around 6 ½ cents. The Put will serve as your downside risk protection instead of a futures stop loss and limits downside risk to a maximum of 8 ½ cents for the next 28 days until expiration. Take profits on the entire position if December futures touch 433.

Long Term Option Strategy

Bull Call Spread: **BUY** 2 May Corn 430 Calls and **SELL** 2 May Corn 490 Calls at a net cost of 18 cents per spread. Risk 13 cents of the 18 cent cost of the position. Look to take profits on the spread if May futures hits 476.



COFFEE PRICES STILL OVERVALUED

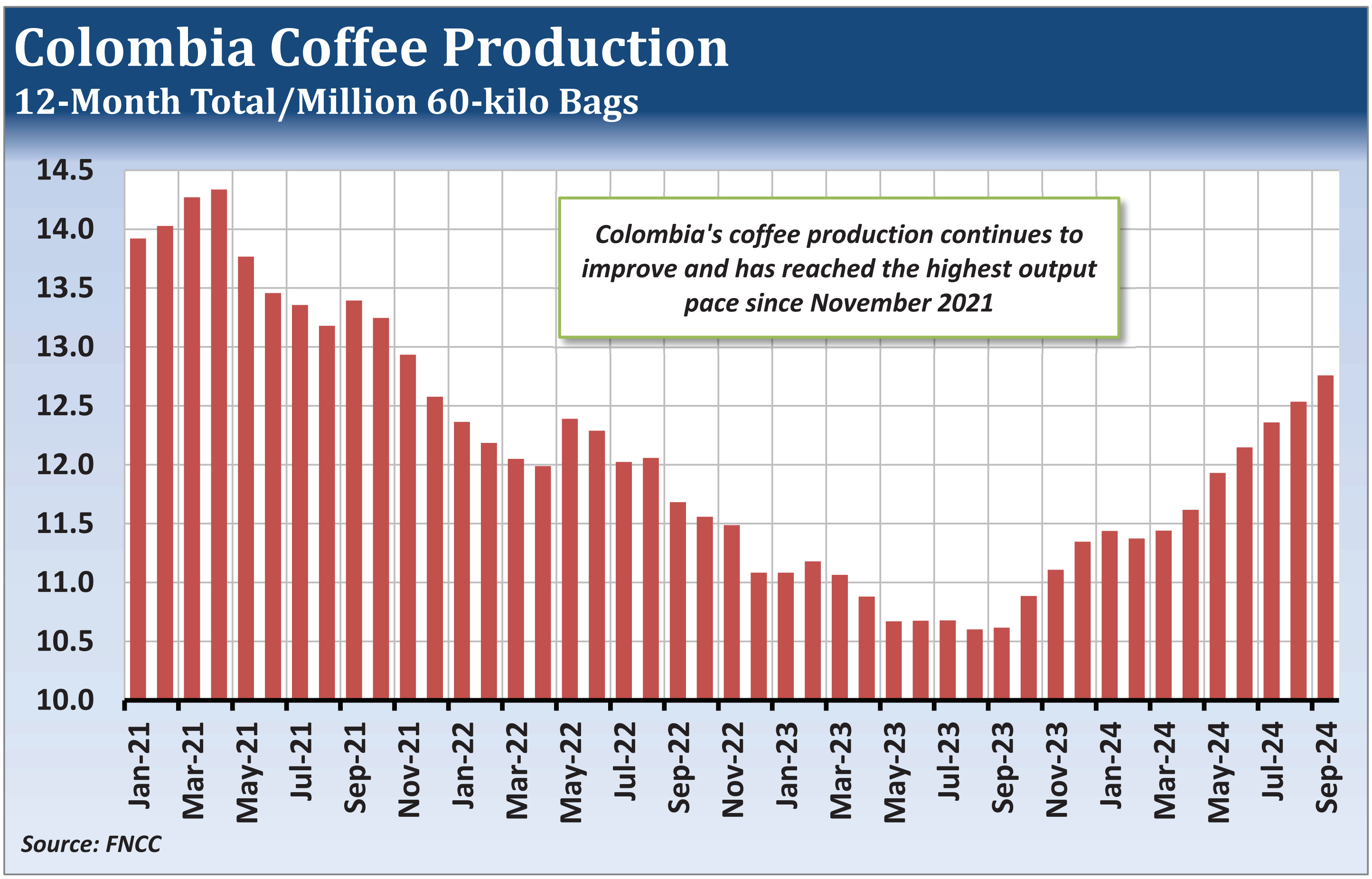
Coffee prices were in an uptrend for most of this year as the market found support from weather issues in Brazil and Vietnam, the world's two largest coffee-growing nations. After reaching a 13-year high at the end of September, the market has lost strength over the past few weeks. With a sizable net spec long position, coffee is vulnerable to profit-taking and additional long liquidation.

Brazil's Arabica-growing regions have seen drier-than-normal weather over the past few months, which will negatively impact their production and has been a source of strength for prices. Coffee trees have found some relief from recent rainfall, and with Brazil's Arabica harvest normally starting in May, their upcoming 2025/26 crop could avoid major weather issues from the potential La Niña event. Forecasts have a 60% change in La Nina starting before December.

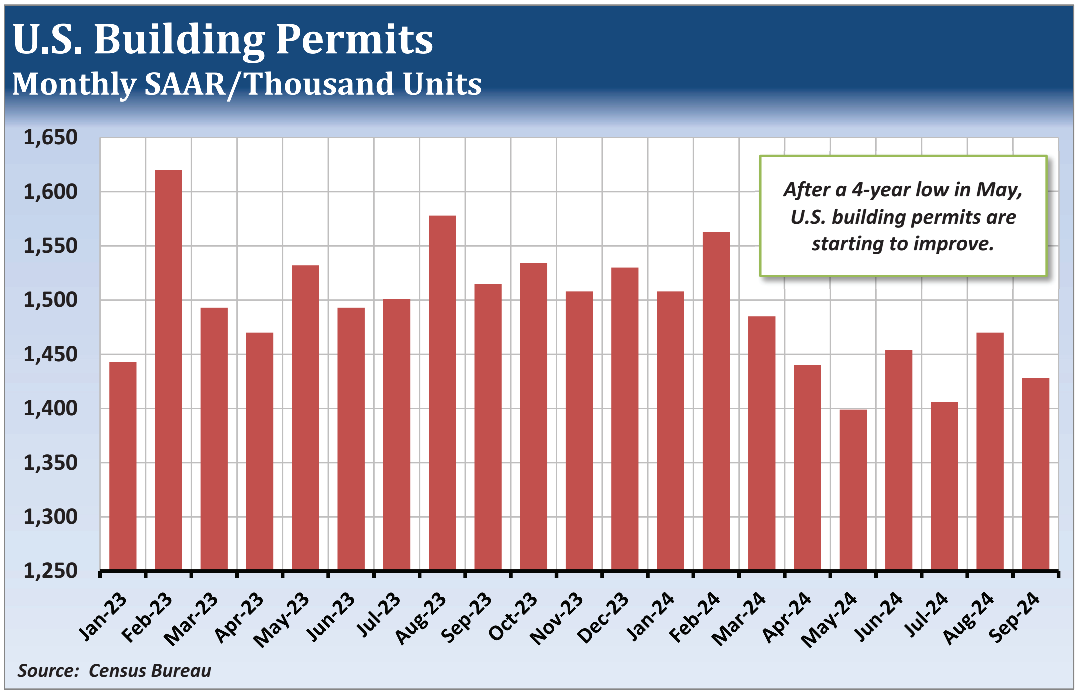
Colombia's annualized coffee output continues to improve from the 9 1/2-year low reached last August at 10.62 million bags, with September coming in at 12.76 million bags. La Niña may bring heavier-than-normal rainfall early in 2025, but their production pace should continue to improve. As a result, coffee is overvalued at current price levels and could have a sizable pullback over the rest of this year.

Suggested Trading Strategy

Option Spread: **BUY** a January Coffee 240.00/225.00 bear put spread at 4.00 or better. Use an objective of 10.75 and risk the option spread to 2.20.



US HOUSING SECTOR POISED TO IMPROVE



With the Fed likely to remain in a dovish policy stance well into next year, average US 30-year and 15-year mortgage rates should continue to fall from 23-year highs reached in October 2023. While recent US data has shown divergent readings on the housing sector, there are signs that a turnaround may be underway that would significantly impact the overall US economy and several commodity markets.

September's existing home sales were 3.84 million at an annualized rate, a 10-month low and the third-lowest result since late 2010. August private residential construction spending fell below an annualized $900 billion rate and reached an 8-month low. In contrast, September new home sales reached an annualized rate of 738,000 units, the highest reading since May 2023.

Since reaching 16-year highs during the first half of 2022, housing starts and building permits have been in downtrends, falling to 4-year lows earlier this year. While the Fed did not cut rates until last month's FOMC meeting, housing starts and building permits lifted clear of their lows before The Fed cut. With lower rates on the horizon, housing starts and building permits should maintain uptrends during the first half of 2025.

Copper prices have fallen back from their late September highs but should be a significant beneficiary of a more robust US housing market. Lumber prices have been range-bound so far this quarter and may see an upside breakout as the housing sector improves. The transportation element of home construction should also boost driving demand, which can help strengthen ULSD, RBOB, and crude oil prices.

Top 12 Iron Ore Producers

While lukewarm Chinese commodity demand continues to weigh on sentiment, China's 2024 iron ore imports through September are running 4.9% ahead of last year's pace.

Courtesy of the USGS, these are the world's top 12 iron ore producing nations (in tonnes):

Australia	590,000,000
Brazil	280,000,000
China	170,000,000
India	170,000,000
Russia	58,000,000
Iran	50,000,000
Canada	42,000,000
South Africa	39,000,000
USA	28,000,000
Sweden	27,000,000
Ukraine	22,000,000
Peru	13,000,000

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COMMITMENTS OF TRADERS

Data As of October 22, 2024
Non-Commercial & Non-Reportable
Combined Futures & Options

Market	Net Position	Net Change	4-Wk Net Change	52-Wk Ranking
Grains				
CBOT Grains	-199,805	16,660	-22,185	42
Corn	-73,230	28,665	-519	49
KC Wheat	-3,435	-3,467	5,915	50
Minn Wheat	-11,058	-5,859	1,358	42
Rice	1,447	-334	116	17
Soybeans	-98,340	-5,992	-14,269	33
Soyoil	77,024	23,149	26,435	52
Soymeal	84,836	2,248	-47,869	33
Wheat	-28,235	-6,013	-7,397	44
Livestock				
Cattle	81,157	4,483	18,792	52
Feeder Cattle	-1,753	95	2,353	48
Hogs	94,895	13,454	32,802	52
Metals				
Copper	43,932	-665	-6,157	33
Gold	324,307	11,704	-3,703	48
Platinum	42,467	7,871	8,050	52
Silver	84,824	10,974	6,913	52
Softs				
Cocoa	37,628	-2,216	-1,838	29
Coffee	66,571	-528	-2,892	31
Cotton	348	4,574	1,576	22
Lumber	#N/A	#N/A	#N/A	#N/A
Milk	-734	-1,002	-5,088	43
OJ	5,342	-24	707	43
Sugar	128,365	-22,082	-36,613	42
Currencies				
Canadian	-149,003	-25,363	-87,532	7
Dollar	597	3,627	2,164	8
Euro	8,435	-49,101	-101,460	3
Energies				
Crude Oil	229,876	-16,936	13,979	12
Gas (RBOB)	54,835	-913	24,002	22
Heating Oil	-10,370	-3,972	2,752	4
Natural Gas	-160,645	-31,636	-65,277	1
Financials				
Bonds	21,748	-9,318	1,615	29
E-Mini S&P	112,301	1,662	39,285	49
Dow Jones $5	14,390	-1,278	-4,260	25
T-Notes	-831,127	-12,762	166,084	6

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