

LAKEFRONT

FUTURES

December 6, 2024

THIS ISSUE

Near Term:

Bullish: Corn

Bearish: Coffee

Long Term:

Bullish: ULSD
Gold

Other:

Potential Impact of New Import Tariffs Next Year.

Economic Focus

A moderate portion of declining uncertainty, falling volatility, and choppy trading results from the holiday season may prompt commodity markets to find value on the charts with a gradual improvement in demand expected in 2025. However, better economic data from Europe and China will be required for commodity prices to alter generally bearish conditions. Indeed, the direction of energy prices has a noted impact on most commodity markets. Still, continued declines in energy prices should reduce inflation concerns, increase disposable income, and ultimately allow central bankers to increase their focus on fostering growth without fear

of repercussions. Unfortunately for commodity bulls, the current global macroeconomic differential between the US and other major economies favors ongoing strength in the Dollar, particularly if the US Federal Reserve stands pat on December 18th and the ECB is forced to cut Eurozone rates on December 12th.

In addition to ongoing weakness in petroleum prices, we see

further declines in soybean prices and additional corrective liquidation in gold and silver prices. In fact, after the first of the new year, expect grain prices to attempt what could be a last washout as the North American harvest combined with a good start to South American crops prompts the trade to fully price-in oversupply.

MAJOR ECONOMIC EVENTS

December 9

- Chinese CPI/PPI
- Wholesale Trade

December 10

- Non-Farm Productivity

December 11

- Consumer Price Index
- BOC Meeting

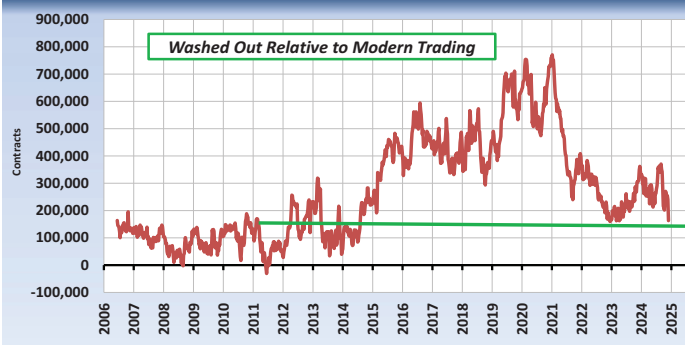
December 12

- ECB Meeting
- Producer Price Index
- Jobless Claims

December 13

- Import & Export Prices

Non-Financials - Other Reportable Traders
COT - Futures & Options - Net Position



OVERVALUED/UNDERVALUED

Fundamental

Technical

COT

OVERVALUED

Gold	Cocoa	Cattle
Coffee	Bonds	Coffee
Crude Oil	Stocks	Crude Oil

UNDERVALUED

Copper	Sugar	Minn Wheat
Corn	Hogs	Notes
Dollar Index	Wheat	Palladium

OUR OPINION... MARKET BY MARKET

Market		*
Stocks	Positive growth ultimately more bullish than rate cuts.	L
Bonds	Positive growth entrenched; Bonds are expensive.	S
Dollar	Strongest economy of the G7 = more Dollar gains.	L
Euro	Weak Germany/French political turmoil = more down.	S
Gold	Falling econ/political/price uncertainty = down.	S
Silver	More financial focus than commodity; down with gold.	S
Copper	Declining Chinese exchange supply shifts the bias up.	L
Crude	OPEC+ output cuts until Apr, but demand pressures.	S
Gasoline	Despite very tight US supplies, \$1.90 Feb targeted.	S
Nat Gas	High supply into winter despite early cold; more down.	S
Soybeans	Brazil/Arg weather and US supply leans bearish	S
Corn	Seasonal strength and strong exports pace supports	L
Wheat	Focus shift to Russian crop woes friendly	L
Hogs	Chart threatening breakdown, but no top confirmation	N
L Cattle	Feb testing support, further weakness likely	S
Sugar	Shift in focus towards South Asian production.	S
Coffee	Potential double-top may signal change in trend.	S
Cocoa	Ivory Coast port arrivals well ahead of last season.	S
Cotton	Sharp weekly pullback in export sales 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 Mar Wheat 570/620 bull call @ 9

Buy Jan RBOB \$1.90/\$1.87 bear put @ 0.0090

Buy Feb Corn 435 call @ 8

Overvalued

Sell Feb Cocoa 12,000 call @ 210*

Sell Feb Gold \$2,770 call @ 24.00*

Sell Feb Cattle 188.00 call @ 3.10*

Trend Reversals

Buy Jan Bond 117.50 put @ 0-19

Buy Mar Copper \$4.30/\$4.40 bull call @ 0.0250

Buy Feb ULSD \$2.14/\$2.23 bull call @ 0.0200

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
Silver Gold 10/25/24	Long a January Silver \$31.00/\$28.00 bear put spread at 0.332. Previously Long a December Gold \$2,800 call at 25.00 which expired at 0.00.	Bear put spread HIT PROFIT STOP at 65.00 for a net loss of \$940 on the strategy.
Bonds 10/25/24	Long a January Bond 121.00 call at 1-30. Previously Long a December Bond 116.00 put at 0-62 which expired at 0-00.	Use an objective on the January call of 1-39.
Corn 10/25/24	Long 2 May Corn 430 Calls and Short 2 May Corn 490 Calls at a net cost of 17 1/2 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.
Bonds 11/15/24	Long a February Bond 115.00/111.00 bear put spread for 0-58. Previously Long a January Bond 117.00/120.00 bull call spread for 0-47 that HIT OBJECTIVE at 1-55.	Objective on the bear put spread will be set in an upcoming issue.
Emini S&P 11/22/24	BUY a December Emini S&P 6020/6100 bull call spread at 26.00.	Use an objective of 71.00, and risk the trade to 14.00.
ULSD 12/06/24	BUY a February ULSD \$2.14/\$2.23 bull call spread at 0.0200.	Use an objective of 0.0490, and risk the trade to 0.0100.
Gold 12/06/24	BUY a February Gold \$2,650/\$2,740 bull call spread at 10.40.	Use an objective of 51.00, and risk the trade to 4.80.

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.

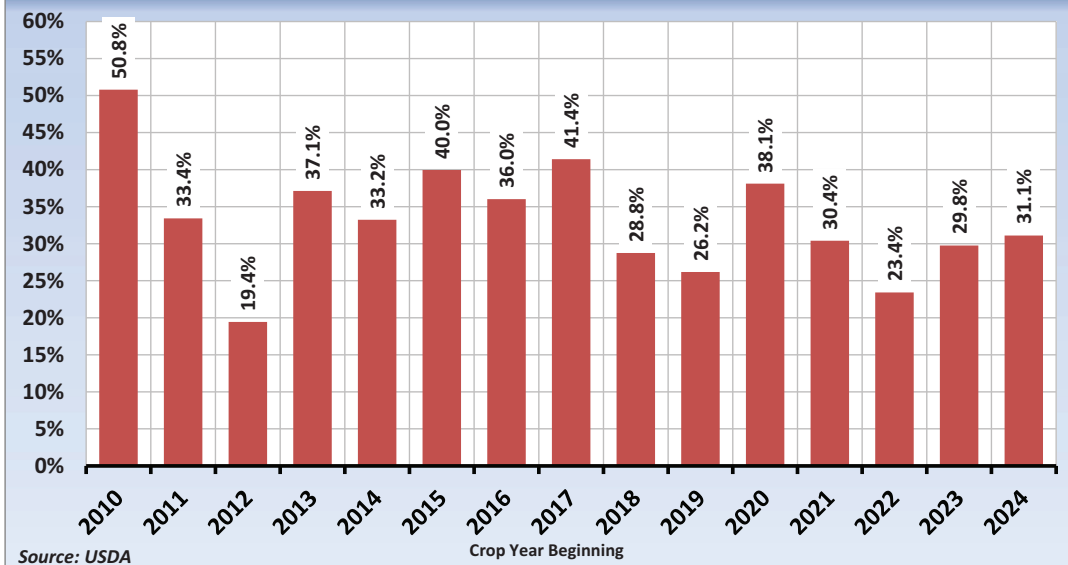
CORN OUTLOOK: STRONG DEMAND AND BULLISH SEASONALS POINT TO A DECEMBER BOUNCE

The corn market has traded in a broad range since the middle of August, with a lower boundary of 414 and an upper boundary of 452 for the March futures. This week, the technical picture has improved and points to a possible test of the upper end of the last several months' range. A bumper US harvest and a good start to the growing season in South America have kept futures prices in check recently. However, US export sales have continued to outperform, and commitments now stand at 58% of the USDA's projected pace for the marketing year compared to a 5-year average of 46%. The USDA did not raise their projected export figure for the US in the November supply/demand report as most expected, but they are likely to do so in the December 12th report.

President-elect Trump threatened Mexico and Canada with 25% tariffs if immigration and cross-border drug smuggling are not addressed. The reaction from both countries was swift. Within 24 hours of the threats, the Canadian Prime Minister was on his way to Florida to meet with Trump, and the newly-elected President of Mexico spoke to Trump by phone, indicating that they

HOLIDAY RALLY						
		"Thanksgiving Low"		"Christmas High"		
		Low After November 20		High After Thanksgiving Low		
Calendar Year	March Corn Year	Date	Price	Date	Price	Holiday Rally
2023	2024	29-Nov	470 1/2	6-Dec	493 3/4	23 1/4
2022	2023	7-Dec	635	30-Dec	685	50
2021	2022	30-Nov	562 1/2	28-Dec	617 3/4	55 1/4
2020	2021	2-Dec	414 1/2	31-Dec	485 3/4	71 1/4
2019	2020	11-Dec	371	30-Dec	392	21
2018	2019	26-Nov	367 1/4	12-Dec	387 3/4	20 1/2
2017	2018	15-Dec	346 1/2	27-Dec	354 1/4	7 3/4
2016	2017	1-Dec	341 3/4	13-Dec	364 3/4	23
2015	2016	23-Nov	366 1/2	13-Dec	382	15 1/2
2014	2015	20-Nov	375 1/4	29-Dec	417	41 3/4

US Corn Exports as % of World



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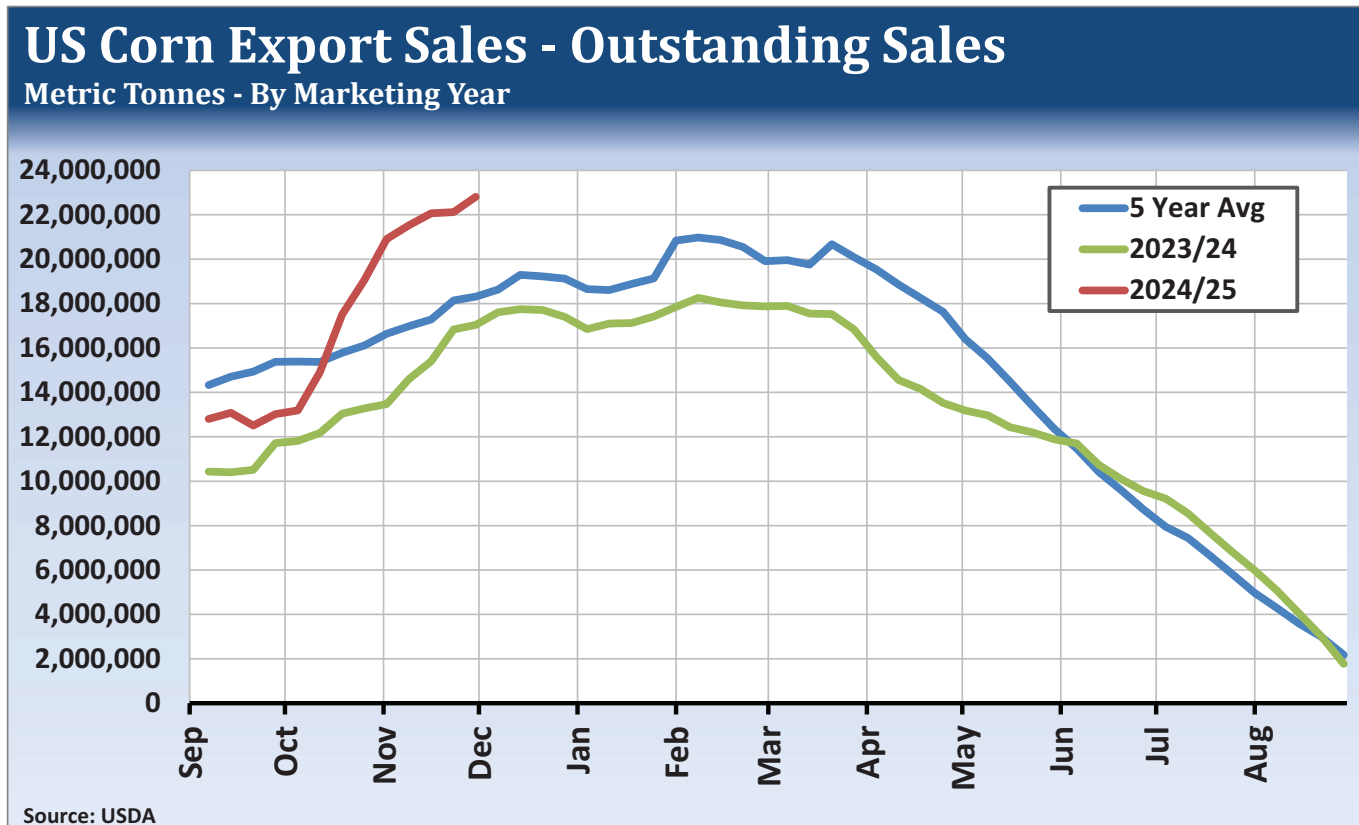
would address the border issues. Whether Trump will go ahead with the tariffs on both countries after the inauguration will depend on negotiations between now and then. In Trump's previous administration, Mexico quickly disbanded the migrant caravans heading to the US border once Trump threatened tariffs, and they were never implemented. Trump has also indicated that he wants to renegotiate the USMCA agreement implemented during his previous administration, which replaced NAFTA. Trump could use USMCA negotiations as further leverage on Mexico and Canada to fix the border issues. In the meantime, Mexico will likely continue to buy significant quantities of US corn before the inauguration if Trump follows through with the tariff threat.

Now that the US corn harvest is over and South American crops are in their early growing stages, US farmers are typically reluctant to make aggressive corn sales in December as cold weather, low prices, and year-end tax considerations combine to "keep the bin door shut."

For those reasons, seasonal tendencies in December are bullish for prices, and the accompanying table shows average gains from low to high for March corn in December, exceeding \$0.30 a bushel. March corn had a low last week at 425 ½ and looked to close out this week on a strong note. The technical action suggests prices may be heading up to long-term resistance at 451. We prefer to position on the long side for a run-up to resistance.

Suggested Trading Strategy

BUY March Corn Futures on a minor pullback to 436 ½. Risk 7 cents from entry. If March futures touch 451, move the stop up to 444 and hold to see if the market can continue higher. Take profits if March touches 456.



CORRECTIVE ACTION AND THIN TRADING = SURPRISE PRICE MOVES

We see uncertainty draining from the markets and corrective action extending in energies and precious metal markets. US crude oil and gasoline inventories are tightening with gasoline inventories recently reaching multi-year low levels. Granted, a portion of current selling interest in energy markets is anticipation of a ramping-up of US crude oil supply under the Trump Administration, with added pressure from a strong Dollar, European economic softening, and a languishing Chinese economy. Certainly, record-high US crude oil production through the autumn and early winter shoulder season have fostered soft demand views, which seem to dominate the energy complex's current focus. Furthermore, the energy markets remain vulnerable to long liquidation, with the net spec and fund long in RBOB recently at the highest level since April. A trend of long liquidation by the spec and fund trade has been entrenched since late last year.

While the ULSD net spec and fund position is nearing record short positioning, the market enters the high-demand season, with supplies holding above year-ago levels for most of the year and

settling into a rebuilding wave since the beginning of November. However, we see the ULSD market culminating its washout first and becoming a bullish leading indicator for the energy complex after the holidays. Near-term downside targeting in February ULSD is \$2.14, with the market likely posting a record spec and fund short before realizing demand fundamentals have shifted in favor of the bulls. In addition to the extreme early winter cold in the US, the ULSD market should begin to see positive impacts from surging jet fuel consumption. United Airlines expects this winter to have its most extensive flight schedule in history, and a fear of a colder-than-expected North American winter should shift control of ULSD to the bull camp after more near-term losses.

Long-Term Suggested Strategy

BUY a February ULSD \$2.14/\$2.23 bull call spread at 0.0200 with an objective of 0.0490. Use a risk of 0.0100.

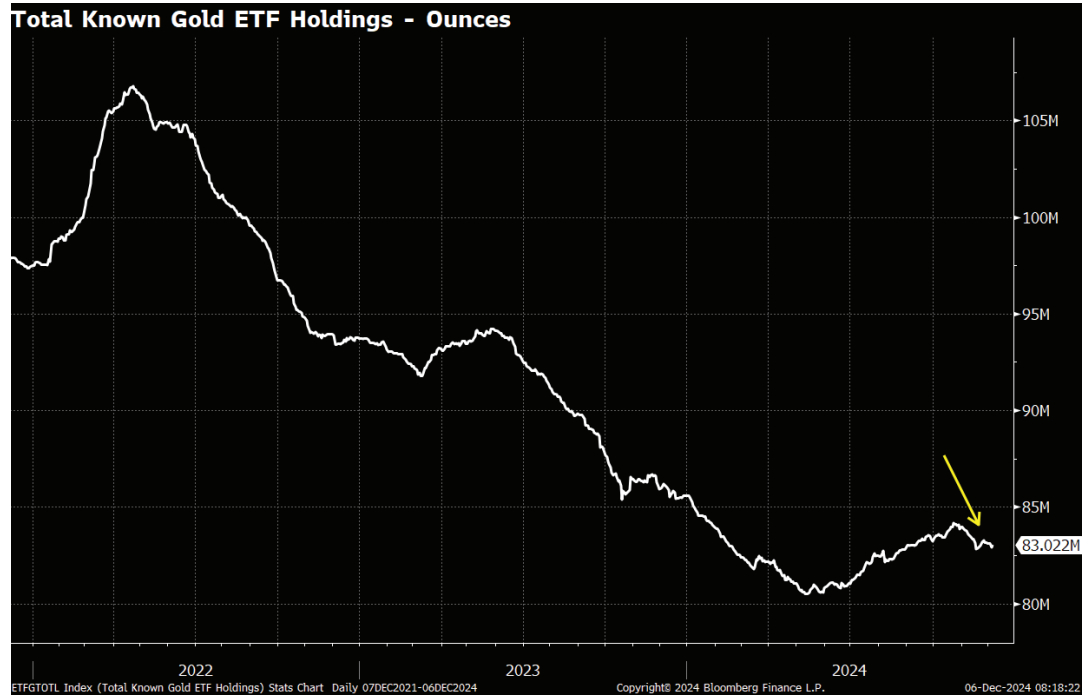
Jet Fuel Weekly Demand Million Barrels / Day - Weekly



CORRECTIVE ACTION AND THIN TRADING = SURPRISE PRICE MOVES

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Another market seemingly poised for downside action ahead is gold, which benefited most of this year from the explosion of economic, political, and military uncertainty. While the gold market managed a record rally in the face of dollar strength and recently rising Treasury yields, we doubt those forces remain on the sidelines of the gold trade. Another sign of an impending correction in gold is the recent shift from a trend of rising gold ETF holdings to a pattern of declining gold ETF holdings. We think gold will return to focus on outside markets, with the recent bounce correlating with a downside washout in the dollar and an upside breakout in Treasury prices. It should also be noted that bitcoin has continued to rise despite the choppy/lower action in gold, potentially signaling a rotation from "old" to "new" flight to quality instruments. Furthermore, the record 2024 rally in gold resulted in a net spec and fund long of 337,526 contracts at the beginning of the fourth quarter, the highest net spec and fund long since the start of the pandemic. We are not predicting the end of the historic gold rally, but we think gold will retrace through the end of the year and/or until the US political "honeymoon" comes to an end.



Long-Term Suggested Strategy

BUY a February Gold \$2,650/\$2,740 bull call spread at 10.40 with an objective of 51.00. Risk the trade to 4.80.

TOP 12 OFFICAL GOLD HOLDINGS

In their latest report, the World Gold Council reported that global central banks bought 60 tonnes of gold during October, their highest monthly total of the year so far.

Courtesy of the World Gold Council, these are the 12 largest official gold holdings (in tonnes):

USA	8,133.5
Germany	3,351.5
IMF	2,814.0
Italy	2,451.8
France	2,436.9
Russia	2,335.9
China	2,264.3
Switzerland	1,039.9
India	880.5
Japan	846.0
Netherlands	612.5
Turkey	612.0

COFFEE VULNERABLE TO PULLBACK

Coffee prices recovered much of the decline seen early this week after dropping from a 27-year high just after Thanksgiving. This sort of severe price volatility may indicate a longer-term top may be close at hand, and coffee could be vulnerable to significant profit-taking and additional long liquidation going into 2025.

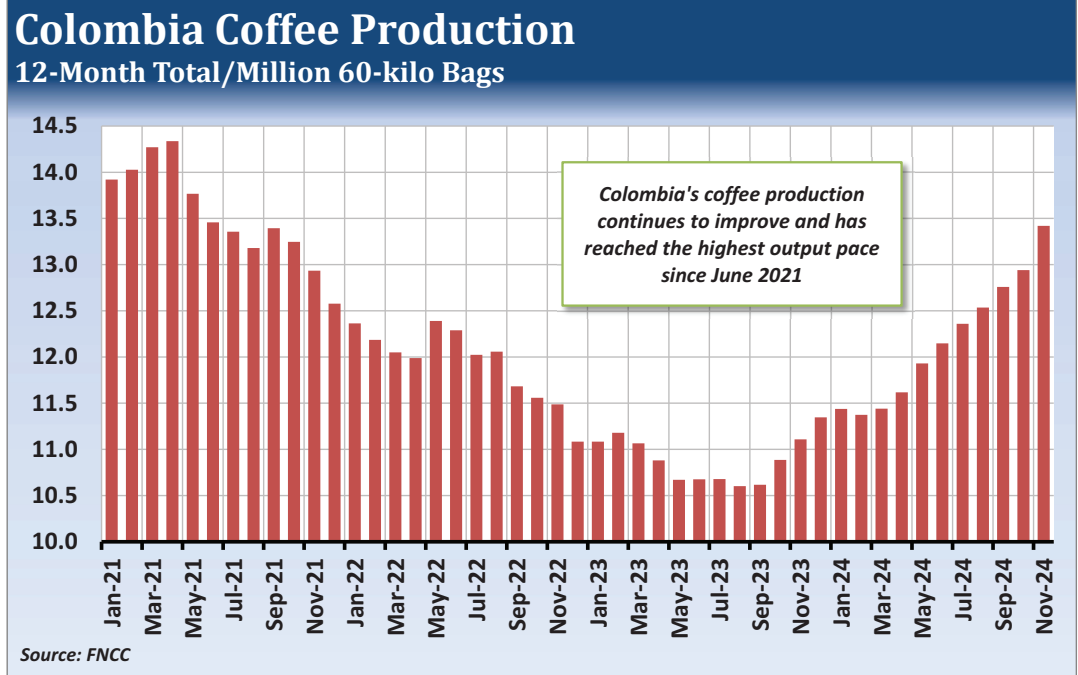
Three significant weather-related supply issues fueled coffee's November rally. Brazilian growing areas have seen severe drought conditions that will reduce their upcoming 2025/26 production. Vietnam also saw dry conditions followed by heavy rainfall during their early harvest period. Finally, storm damage and heavy rain is expected to negatively impact the upcoming coffee production in Honduras, Nicaragua, and Costa Rica.

In contrast, Colombia's November coffee production saw the largest single-month total since January 1996, bringing their 12-month running total (December 2023 to November 2024) up to 13.419 million bags, their highest 12-month output total since June 2021. Many analysts projected global domestic coffee consumption to reach a record high during the 2024/25 season, but a sharp jump in price could lead to a pullback in consumer demand, particularly at higher-end coffee shops.

With Peru and Guatemala looking at stable to slightly higher Arabica production this season, the near-term coffee supply should remain ample. Coffee has the fundamental justification for higher prices but may have gotten ahead of itself over the past month. As a result, another retest of the late November highs should provide an opportunity to approach the short side.

Suggested Trading Strategy

Option Spread: BUY a February Coffee 315.00/305.00 bear put spread at 3.85 or better. Use an objective of 9.50 and risk the spread to 1.65.



THE IMPACT OF POTENTIAL IMPORT TARIFFS

Late last month, President-elect Trump followed through on his campaign promises and announced his plan to impose an additional 10% tariff on Chinese imports and a 25% tariff on Canadian and Mexican imports. These tariffs are supposed to begin on Inauguration Day (January 20th) and continue until those nations address the flow of drugs and undocumented immigrants across the US border.

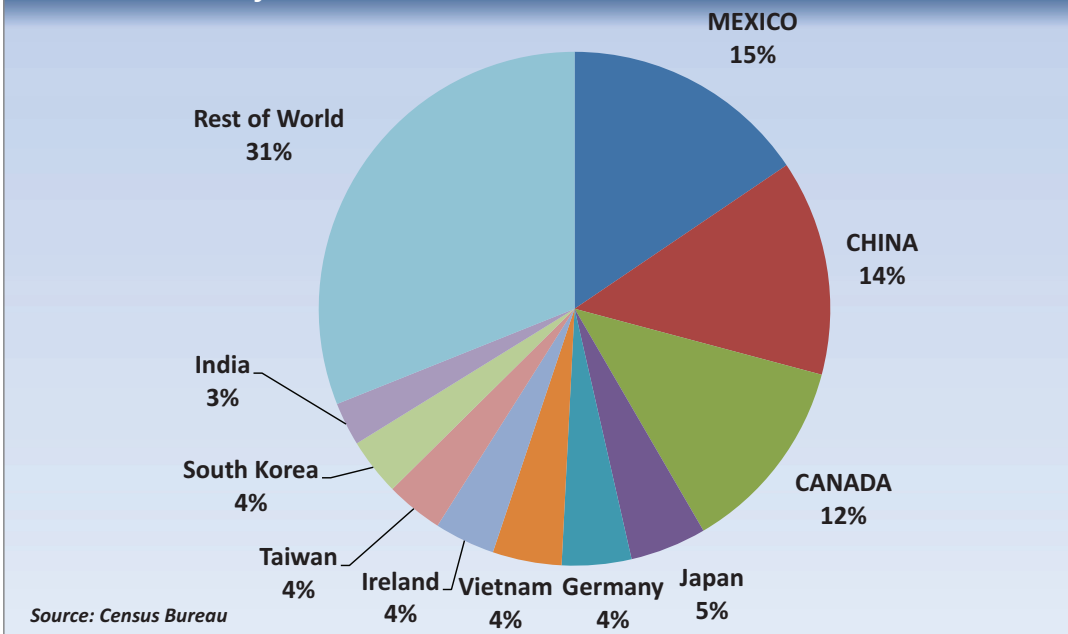
Canada's largest export to the US has been crude oil, which has been between 3.4 million and 4.4 million barrels per day this year. Mexico's largest exports to the US are vehicles, machinery, and electrical equipment. If these new tariffs take effect next year, they could lead to an uptick in US inflation levels, which could lead the Fed to pause on additional rate cuts.

US goods and services trade balance for October showed a monthly seasonally adjusted deficit of \$73.836 billion. Looking at just the US goods trade balance, October had a monthly seasonally adjusted trade deficit of \$98.667 billion. The October reading significantly declined from September, which saw a 2 1/2-year high monthly deficit of \$109.030 billion.

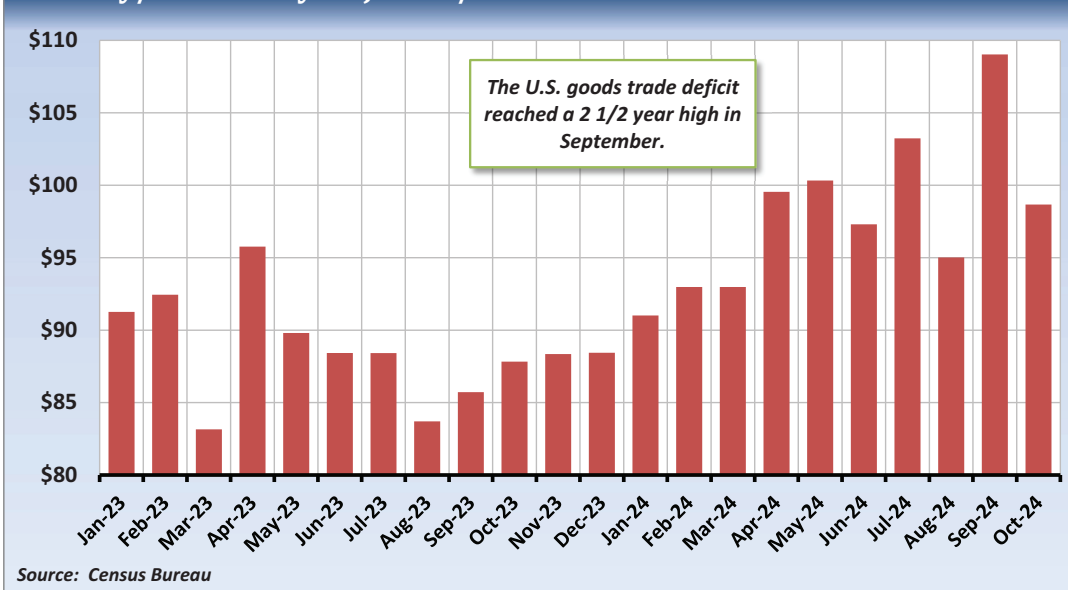
On a seasonally adjusted basis, October US goods imports totaled \$269.319 billion. The three largest components of goods imports were capital goods (includes computers, semiconductors, and industrial machinery) at \$78.703 billion, consumer goods (includes pharmaceuticals and cell phones) at \$68.975 billion, and industrial supplies (includes crude oil) at \$52.685 billion.

Unsurprisingly, the three nations Trump threatened with new tariffs are the ones with the most significant portions of overall US goods imports. Mexico has the largest share of October US goods imports at \$41.895 billion, followed by China at \$36.567 billion and Canada at \$33.556 billion. Remember that their combined share of US goods imports (\$112.018 billion) was only 41.6% of the total.

U.S. Goods Imports By Origin October 2024 by % Share



U.S. Goods Trade Deficit Monthly/Seasonally Adjusted/Billion Dollars





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COMMITMENTS OF TRADERS

Data As of December 3, 2024
Non-Commercial & Non-Reportable
Combined Futures & Options

Market	Net Position	Net Change	4-Wk Net Change	52-Wk Ranking
Grains				
CBOT Grains	-124,747	4,725	-74,971	49
Corn	51,500	4,319	-32,134	50
KC Wheat	-25,690	-5,911	-1,054	26
Minn Wheat	-26,481	-2,411	-5,395	13
Rice	-594	1,015	2,191	8
Soybeans	-104,058	7,916	-21,583	33
Soyoil	30,403	-6,811	-78,247	43
Soymeal	-28,022	1,353	-47,833	6
Wheat	-72,189	-7,510	-21,254	1
Livestock				
Cattle	102,801	3,807	11,836	52
Feeder Cattle	6,806	1,425	5,965	52
Hogs	131,086	5,659	9,719	52
Metals				
Copper	15,363	-1,450	-16,023	15
Gold	284,872	14,665	12,609	36
Platinum	27,115	3,353	1,298	32
Silver	58,996	1,123	-3,500	17
Softs				
Cocoa	38,785	-2,521	-1,313	35
Coffee	65,082	-2,666	-2,053	25
Cotton	-11,126	3,915	-1,264	18
Milk	-10,105	-220	-2,779	20
OJ	7,464	163	1,573	52
Sugar	104,551	7,244	16,931	44
Currencies				
Canadian	-163,948	-6,721	26,593	10
Dollar	-1,915	333	-771	5
Euro	-30,688	-6,113	-53,933	1
Energies				
Crude Oil	237,552	3,881	2,134	18
Gas (RBOB)	64,873	-2,062	4,728	29
Heating Oil	-22,943	-163	-10,569	1
Natural Gas	-150,070	593	970	7
Financials				
Bonds	15,736	-11,858	-442	20
E-Mini S&P	60,092	-29,624	-114,656	35
Dow Jones \$5	13,614	-604	-4,046	20
T-Notes	-791,678	16,135	-12,992	11
	Extreme	Ranking 1 = Shortest Short		
	5% of Extreme	52 = Longest Long		