

# LAKEFRONT

## FUTURES

December 13, 2024

### THIS ISSUE

#### Near Term:

Bullish: Soybean Oil  
Euro  
British Pound

#### Long Term:

Bullish: Nasdaq

#### Other:

La Nina Yet to Arrive & Likely Short in Duration

## Economic Focus

### Trends Within Trends!

While physical commodity markets consistently focus on internal fundamentals periodically, surprise macroeconomic events can amplify or be a signal of an impending reversal of trend. Obviously, the prevailing internal fundamental trend for many physical commodities is down, but many markets are reaching “cheap” pricing relative to recent history. A portion of the slide in physical commodity prices is oversupply (crude oil, diesel, soybeans, wheat, cotton, copper, natural gas, platinum,

and palladium), with anemic demand adding to deflationary “futures prices.” However, China remains the “800-pound gorilla” for global demand for physical commodities. With the Chinese economy languishing, it is understandable that their demand is not serving to keep supplies in check. On the other hand, the Chinese government has undertaken a series of stimulative measures, including supporting its beleaguered real estate sector. Perhaps more importantly, there are signs China is beginning to “restock” commodities. While not always an effective leading indicator

for the Chinese economy, China’s trade surplus has begun to expand again, potentially signaling a return to growth. It is possible that China is attempting to rebuild supplies of basic inputs ahead of a wave of US tariffs, and it is also possible that China views many commodities as “cheap.” Historically, China has displayed significant skill in managing raw material input prices with long-term strategic supply manipulation. Another explanation of the apparent skill of Chinese trading is the lack of proof of accounting and the deep pockets. For example, a crude oil trader might appear skilled

### MAJOR ECONOMIC EVENTS

#### December 16

- Chinese Industrial Production
- Chinese Retail Sales
- NY Fed Empire State Survey

#### December 17

- Canadian CPI
- Retail Sales
- Industrial Production
- NAHB Housing Market Index

#### December 18

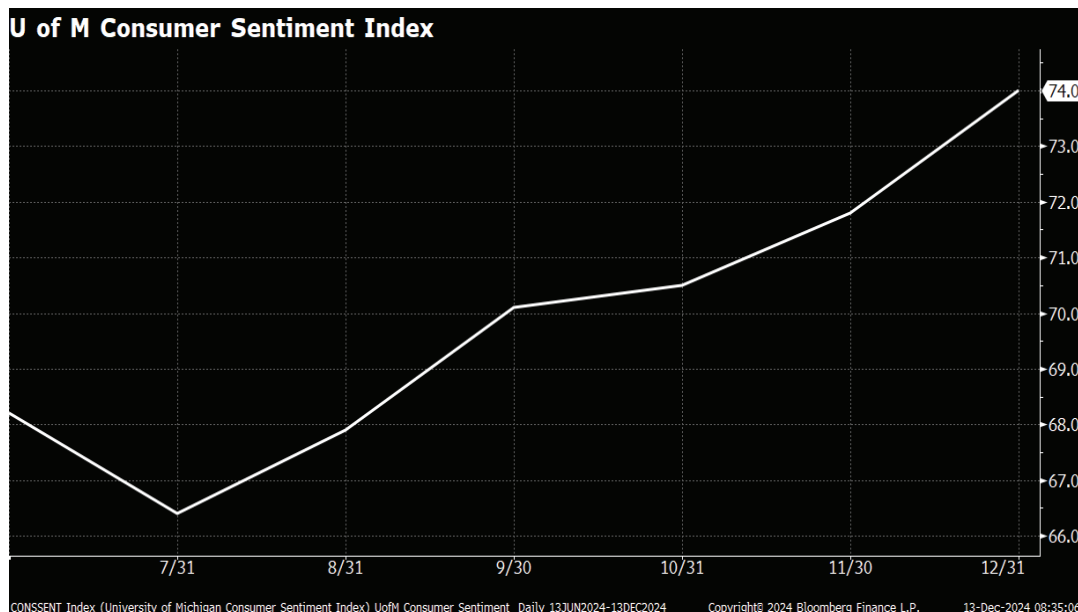
- Housing Starts
- FOMC Meeting Results

#### December 19

- BOJ/BOE Meetings
- Gross Domestic Product
- Jobless Claims
- Philly Fed Survey
- Existing Home Sales
- KC Fed Manufacturing Index
- Treasury International Capital

#### December 20

- Personal Income
- Consumer Sentiment



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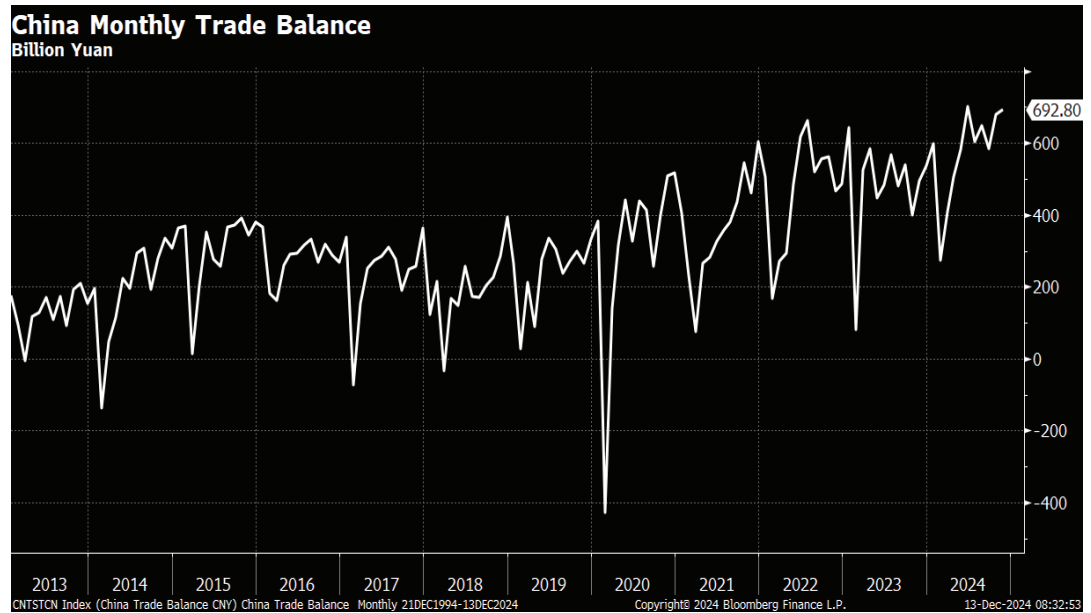
# Economic Focus

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because of the ability to hold through a loss of \$30 per barrel. In the end, market chatter suggests China has been restocking oil, corn, copper, and perhaps edible oil.

supply and demand fundamentals, and 2025 will bring hard-fought gains in commodity prices.

Unfortunately for commodity bulls, the global economy is stuttering from residual inflation (eggs near \$4.00), reducing disposable income. Fortunately for the bull camp, central bankers have launched a wave of rate cuts, and a major global macroeconomic sentiment shift is underway. Certainly, there is usually a “honeymoon” for a change in US government leadership, and therefore surging optimism could be temporary. Nonetheless, we think many physical commodities have factored in “peak” bearish



OVERVALUED/UNDERVALUED		
Fundamental	Technical	COT
<b>OVERVALUED</b>		
RBOB	Cocoa	Cattle
Corn	Cattle	Gold
Gold	Crude Oil	RBOB
<b>UNDERVALUED</b>		
Bonds	Hogs	Notes
Euro	Sugar	Canola
Nasdaq	Coffee	Class III Milk

## OUR OPINION... MARKET BY MARKET

Market		*
<b>Stocks</b>	Uptrend lives on with rotation to smaller cap stocks?	L
<b>Bonds</b>	Minimal growth & a slight uptick in inflation; overdone.	L
<b>Dollar</b>	A wave of lower global rates leaves \$ as king for now.	L
<b>Euro</b>	Temporary overpricing of bearish fundamentals.	S
<b>Gold</b>	Outside mkts bearish & safe haven need waning.	S
<b>Silver</b>	Plummeting ETF holdings & gold weakness bearish.	S
<b>Copper</b>	Tight Shanghai copper stocks & 250K deficit; bullish.	L
<b>Crude</b>	New sanction threats on Iran & Russia; overpriced.	S
<b>Gasoline</b>	Overbought & nearing thick consolidation resistance.	S
<b>Nat Gas</b>	Stocks as % of average tightening, early US cold.	L
<b>Soybeans</b>	Sideways action, but downside vulnerable	S
<b>Corn</b>	Pullback ongoing, March buy zone 430-436	L
<b>Wheat</b>	Tighter global stocks in 2025, buy pullbacks	L
<b>Hogs</b>	Fund longs not yet giving up, key support 83.75 Feb	N
<b>L Cattle</b>	US/Mex border near opening, technicals supportive	L
<b>Sugar</b>	Late-November Brazil CS output higher than forecast.	S
<b>Coffee</b>	Colombian production pace continues to increase.	S
<b>Cocoa</b>	West African weather issues remain supportive.	L
<b>Cotton</b>	Export sales to China at a 9-year low.	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 Feb Gold \$2,670/\$2,620 bear put @ 16.00**

**Buy Feb Natural Gas \$2.70 put @ 0.070**

**Buy Feb Corn 445 call @ 5**

### Overvalued

**Sell Jan Natural Gas \$3.55 call @ 0.175\***

**Sell Jan Bond 115.50 put @ 0-35\***

**Sell Mar Cocoa 17,500 call @ 140\***

### Trend Reversals

**Buy Mar Cocoa 9,900/9,500 bear put @ 120**

**Buy Feb Cattle 189.00/183.00 bear put @ 1.15**

**Buy Feb Bond 119.00 call @ 0-33**

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
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 42.00, and risk the trade to a profit stop of 32.00. If not executed by 12/19 close, EXIT STRATEGY at the market.
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.
Nasdaq 12/13/24	BUY a March Nasdaq 24,000/25,000 bull call spread at 65.00.	Use an objective of 149.00, and risk the trade to 49.00.

*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.*

# THE TREND IS YOUR FRIEND!

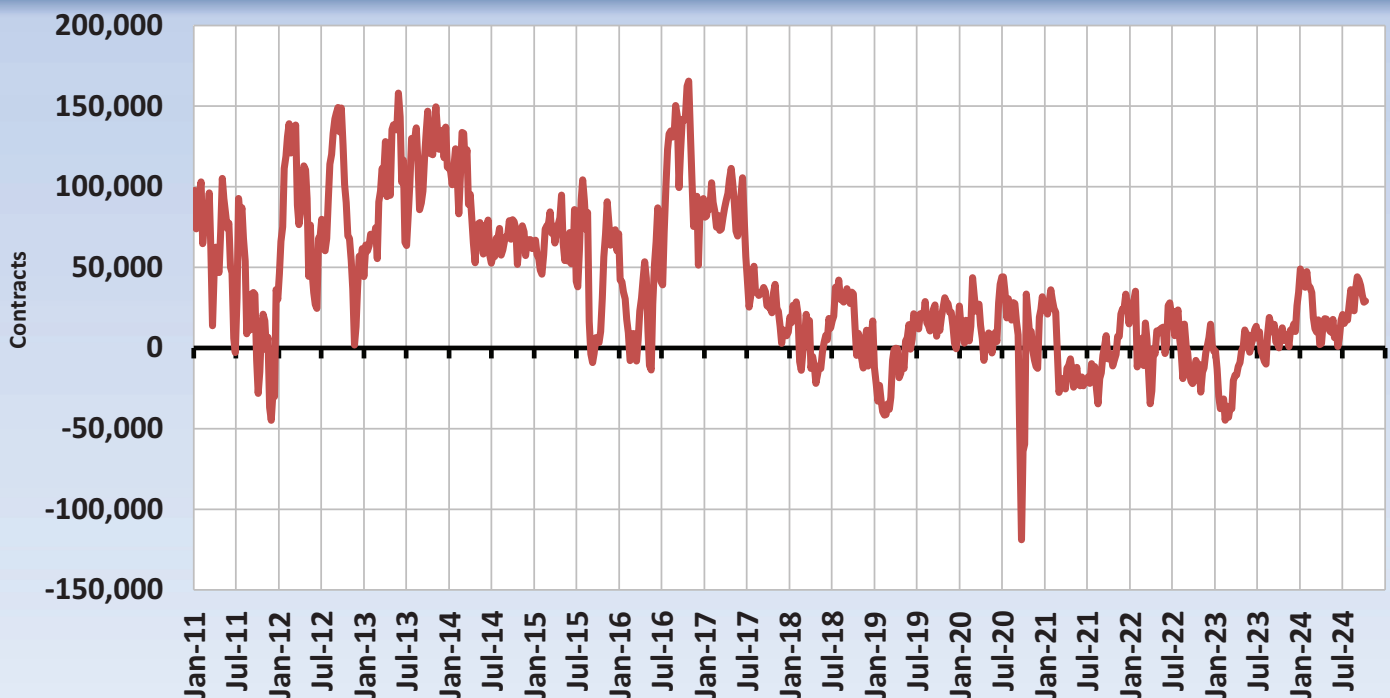
By almost any measure, US equity prices have become very expensive. However, views that US equities have become overvalued have been in place over the last 12 months, with the S&P gaining 38%, the Dow Jones Industrial Average gaining 36%, and the NASDAQ gaining 29%. These historical gains are predicated on an explosion of earnings from Artificial Intelligence (AI), which many expect to be an even more significant development than the introduction of the Internet. Indeed, the euphoria from AI profit prospects is already heavily factored into prices, especially with the "Magnificent Seven" tech companies rising over 800% in value over the last decade. However, if the AI phenomenon succeeds even partially, the ramifications should reverberate for years. While the "Magnificent Seven" will likely continue to appreciate, Wall Street analysts are starting to recommend rotating into smaller Tech/AI-orientated companies. Rotation is a sign of a continuing bull market that can fuel massive gains as smaller capitalization/less traded companies are overwhelmed by enormous investment flows.

We also see a very positive macroeconomic environment for the overall equity markets with dramatic improvement in business leader sentiment, hopes for a positive business environment from a change in government, a return to a global central bank easing posture, and the prospects of declining inflation primarily brought on by falling energy prices. Even OPEC realizes the threat of sharply lower prices as they have again delayed their plan to revive idled production capacity. The most significant bearish factor for energy prices is the desire of the incoming administration to unleash US oil production! In conclusion, the bull market in equities looks to extend.

## Long-Term Suggested Strategy

**BUY** a March Nasdaq 24,000/25,000 bull call spread at 65.00 with an objective of 149.00. Risk the trade to 49.00.

## NASDAQ Mini - Non-Commercial & Non-Reportable COT - Futures & Options - Net Position



# SOYOIL FUNDAMENTALS A LONELY BULL ACROSS THE SOY COMPLEX

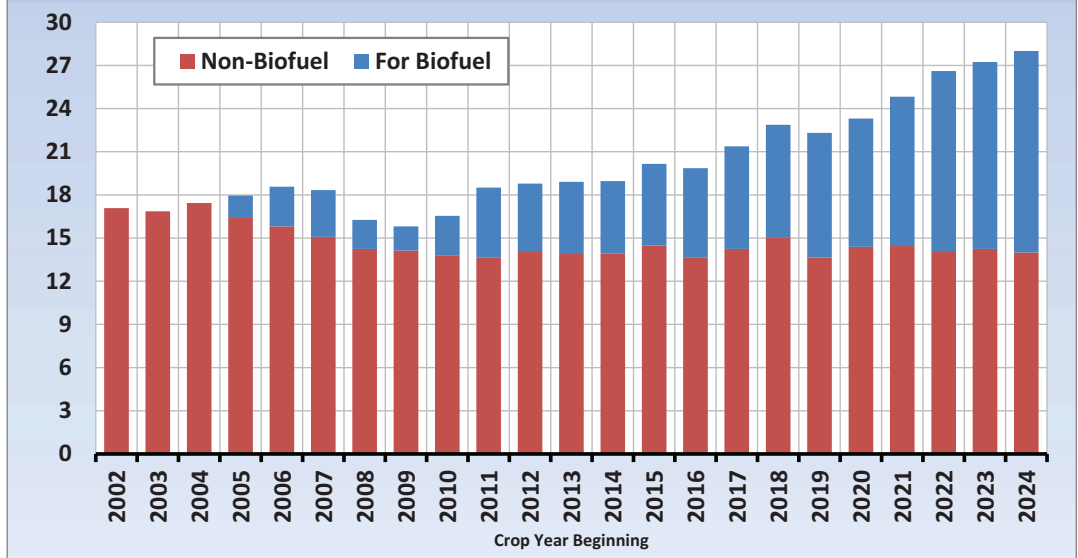
As 2024 comes to an end, following numerous challenges for the soy complex, 2025 may offer better potential for an upswing in soybean oil prices. Increases in renewable diesel capacity this year were expected to send bean oil prices higher. However, soyoil has a lower carbon intensity score than other alternatives, and significant US imports of animal fats and used cooking oil (UCO), mainly from China, have shrunk soyoil's share of biofuel production this year. March futures are down 11% since the 1st of the year. The delay in implementing the EU deforestation rules until 2026 also had a bearish influence on the soy complex. Seven new crush plants across the Midwest have started operations this year, consuming 200 million more bushels of beans this year than in 2023, a gain of 9%. Additional plants are scheduled to come online in 2025 and 2026; however, those projects may depend highly on Trump's biofuel policies. While biofuel policy needs clarification, Trump will likely add a tariff on Chinese UCO imports, increasing domestic US soyoil demand for 2025.

US soyoil consumption has risen yearly since 2019 and is expected to be at a record high

## US Used Cooking Oil Imports Metric Tonnes



## US Soybean Oil Domestic Consumption Billion Pounds



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# SOYOIL FUNDAMENTALS A LONELY BULL ACROSS THE SOY COMPLEX

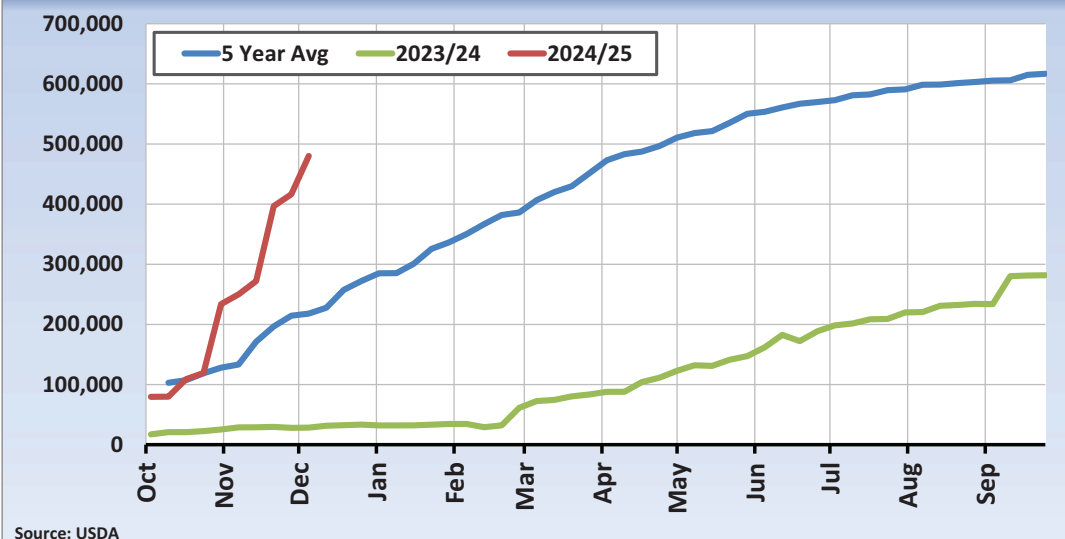
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in 2024. Furthermore, US crush rates are expected to continue to make new record highs in 2025. But interestingly, while NOPA crush in October hit an all-time high, US soyoil stocks fell to the tightest in 8 years. The accompanying graph shows that US soyoil exports have recently skyrocketed as demand ahead of the new Trump Administration has been very strong. Typically, palm oil is cheaper than bean oil, but palm has recently rallied to a significant premium over bean oil, encouraging global buyers to turn to the US for vegoil supplies. In the December supply and demand report released on the 11th, the USDA increased US exports considerably to an 8-year high at 1.100 billion pounds, nearly double the prior month's estimate of 600 million pounds, while the stocks-to-use ratio fell to a record low. If bean oil stocks are this tight with record crush rates, adverse weather or other issues affecting crush rates this winter could result in a tightening supply scenario. We prefer to position on the long side in bean oil for a rally in the 1st half of 2025.

## Suggested Trading Strategies

- 1) **Option Bull Call Spread:** **BUY** 1 May Bean Oil 4300/5000 Call spread at a net cost of 205 points (\$1,230). Risk 140 points on the trade. Take profits if May futures touch 4970.
- 2) **Futures Trade:** **BUY** 1 May Bean Oil on a pullback to 4240. Risk the trade to 4135. Use an objective of 4635.

**US Soybean Oil Export Sales - Total Commitments**  
Metric Tonnes - By Marketing Year



**Soybean Oil - Palm Oil Spread - Weekly Nearby**  
US cents/lb

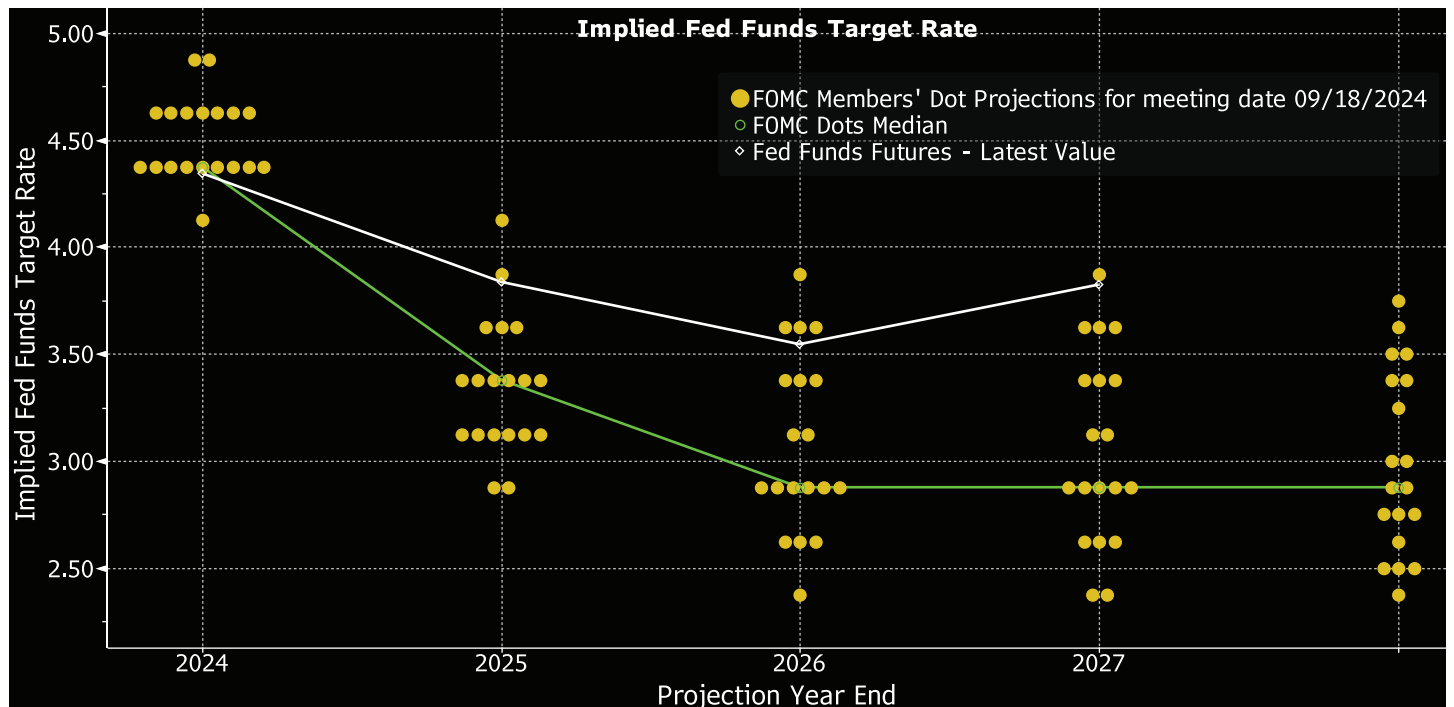




# FOMC MEETING RESULTS MAY STRENGTHEN EURO AND POUND

The CME's Fed Watch tool is projecting a 97% chance that this Wednesday's FOMC meeting should see a 25-basis point reduction in the Fed Funds rate, their third rate cut over the past four meetings. Going into 2025, however, Fed Watch only has a 17% chance that the Fed will make an additional 25 basis point rate cut at the January FOMC meeting.

The market will pay close attention to the Fed's quarterly economic projections which include the "dot plot" of rate forecasts for 2025. If Fed members keep their rate and inflation forecasts close to their



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# FOMC MEETING RESULTS MAY STRENGTHEN EURO AND POUND

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September projections, market expectations will increase for more Fed rate cuts that the Dollar has priced-in. As a result, this should weaken the Dollar and benefit the major currencies.

The Euro was pressured by Thursday's 25 basis point rate cut by the European Central Bank and comments from ECB President Lagarde that Euro zone growth momentum was slowing. The market is projecting as much as 150 basis points in 2025 ECB rate cuts, which seems excessive given the potential for an inflation spike next year and leaves the Euro undervalued against the Dollar.

The British Pound has lost 1.50 cents in value against the Dollar during the past three sessions as it reacted to lukewarm UK economic data. In contrast to the Fed, the Bank of England should keep UK rates unchanged at Thursday's MPC meeting. If the FOMC meeting

results in a rate cut and the Fed keeps its economic projections close to their September levels, the Pound should receive significant support and lift well clear of its November and December lows.

## Suggested Trading Strategies

1) **Option Spread: BUY** a February Euro 1.0700/1.0900 bull call spread at 0.0036 or better. Use an objective of 0.0162 and risk the entire spread premium on the strategy.

2) **Option Spread: BUY** a February British Pound 1.2750/1.3050 bull call spread at 0.0072 or better. Use an objective of 0.0252 and risk the entire spread premium on the strategy.

## Euro - March 2025





# LA NIÑA HAS YET TO ARRIVE AND MAY BE SHORT IN DURATION

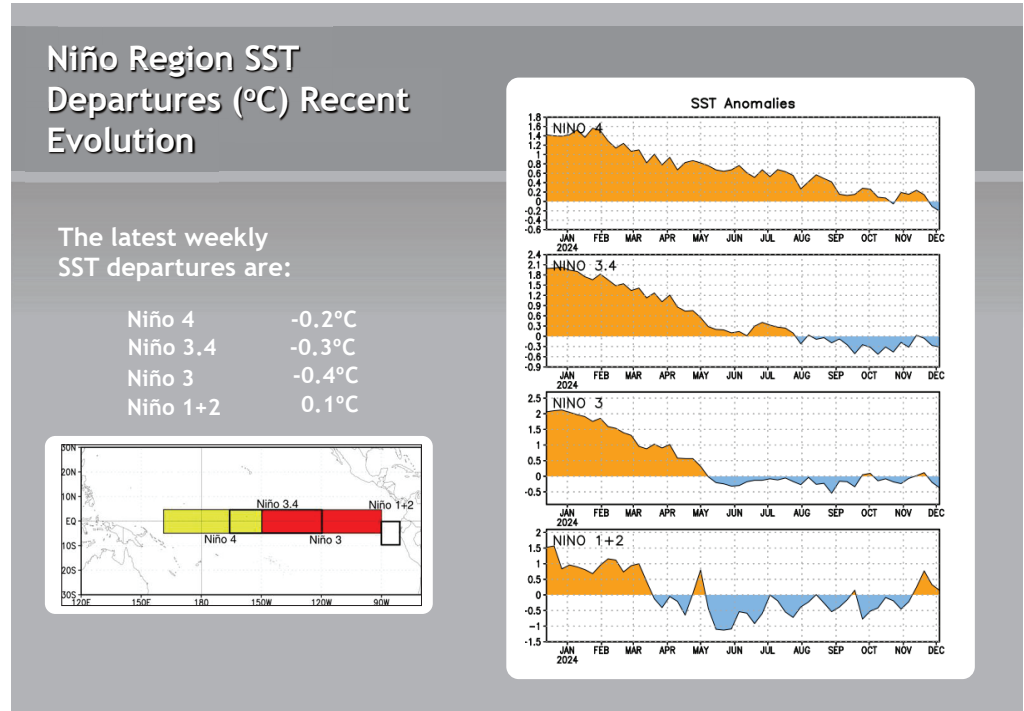
In Thursday's monthly update, the US Climate Prediction Center (CPC) projected a 59% chance that a La Niña weather event would begin during the November-January timeframe. In addition, the CPC also forecast a 61% chance of a return to ENSO-neutral conditions during the March-May 2025 timeframe, with a 26% to 29% chance that it would continue into the North American summer months. If they are correct, this would result in a weak La Niña event that would be comparatively short.

The presence of La Niña or El Niño is measured by the Oceanic Niño Index (ONI), which is a 3-month running average of the sea surface temperatures (SST) in the Niño 3.4 region of the east-central Pacific Ocean. For La Niña to occur, the ONI must be 0.5 degrees Celsius or more below normal, with the expectation that the condition will persist for five consecutive overlapping three-month periods. For El Niño, the ONI must be 0.5 degrees above normal for a similar timeframe.

The latest ENSO weekly update showed Niño 3.4 SST at -0.3 degrees Celsius below normal. While they are lower than levels in mid-November, they are above the 2024 low of -0.5 degrees Celsius below normal in mid-September and mid-October. In addition, the latest ONI reading (September-November) was -0.2. The September-November reading was unchanged from August-October and was the first ONI not to show a decline since November 2023-January 2024, which produced the high ONI reading (+2.0 Celsius above normal) during the 2023-2024 El Niño event.

La Niña typically brings above-average precipitation to the eastern Corn Belt, above-average temperatures over the southeast US, and lower-than-normal

precipitation to southern Brazil and Argentina, major producing regions for sugarcane, coffee, soybeans, and corn. If there are further delays to the start of La Niña, it may significantly impact the upcoming production of many vital commodities.



## Official NOAA CPC ENSO Probabilities (issued December 2024)

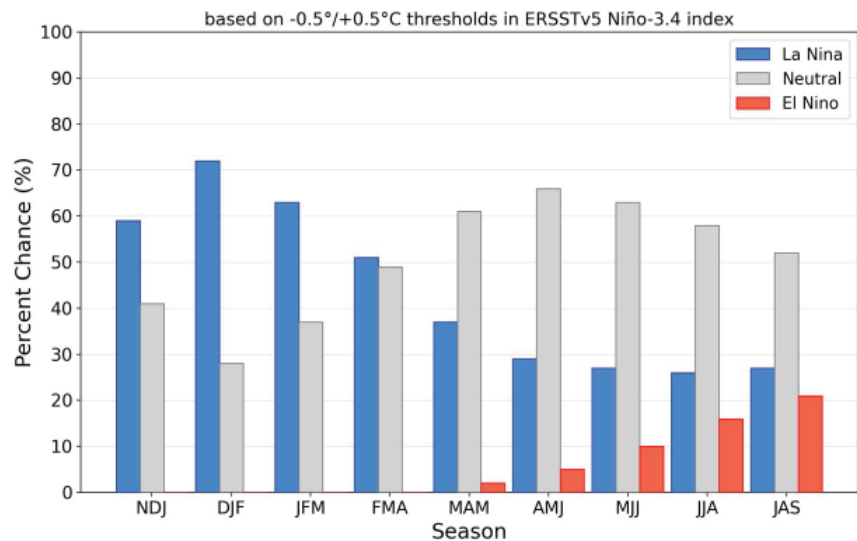


Figure 7. Official ENSO probabilities for the Niño 3.4 sea surface temperature index (5°N-5°S, 120°W-170°W). Figure updated 12 December 2024.



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## COMMITMENTS OF TRADERS

Data As of December 10, 2024  
Non-Commercial & Non-Reportable  
Combined Futures & Options

Market	Net Position	Net Change	4-Wk Net Change	52-Wk Ranking
Grains				
CBOT Grains	-29,301	95,446	50,641	52
Corn	132,976	81,476	59,194	52
KC Wheat	-22,406	3,284	-1,909	32
Minn Wheat	-25,381	1,100	1,596	22
Rice	-182	412	1,645	10
Soybeans	-92,110	11,948	2,922	40
Soyoil	49,143	18,740	-31,307	44
Soymeal	-23,075	4,947	-14,070	10
Wheat	-70,167	2,022	-11,475	2
Livestock				
Cattle	108,241	5,440	15,802	52
Feeder Cattle	6,683	-123	3,127	51
Hogs	128,136	-2,950	17,232	51
Metals				
Copper	16,901	1,538	-5,935	16
Gold	298,332	13,460	28,377	39
Platinum	21,159	-5,956	-7,873	23
Silver	57,043	-1,953	-3,776	14
Softs				
Cocoa	41,402	2,617	2,711	42
Coffee	65,174	92	-4,626	25
Cotton	-16,689	-5,563	12,011	15
Milk	-9,103	1,002	-417	22
OJ	7,136	-328	1,182	50
Sugar	111,087	6,536	10,638	44
Currencies				
Canadian	-194,102	-30,154	-4,051	2
Dollar	-1,963	-48	59	5
Euro	-45,415	-14,727	-26,829	1
Energies				
Crude Oil	227,238	-10,314	-1,061	11
Gas (RBOB)	75,274	10,401	8,332	38
Heating Oil	-36,466	-13,523	-19,389	1
Natural Gas	-137,665	12,405	17,683	8
Financials				
Bonds	38,690	22,954	5,837	41
E-Mini S&P	92,025	31,933	-98,420	42
Dow Jones \$5	16,300	2,686	1,537	27
T-Notes	-798,609	-6,931	51,614	11
	<b>Extreme</b>			Ranking 1 = Shortest Short
	<b>5% of Extreme</b>			52 = Longest Long