

# LAKEFRONT

## FUTURES

December 20, 2024

### THIS ISSUE

#### Near Term:

Bearish: Soybeans  
Natural Gas

#### Long Term:

Bearish: Gold  
Crude Oil

#### Other:

Increasing US Crude Oil Production 3 Million Unlikely

**Next Issue**  
will be released  
January 3, 2025

### MAJOR ECONOMIC EVENTS

#### December 23

- Chicago Fed National Index
- Consumer Confidence

#### December 24

- Durable Goods
- New Home Sales

#### December 25

- Christmas Day Holiday

#### December 26

- Jobless Claims

#### December 27

- Goods Trade Balance
- Wholesale Inventories
- Case-Shiller Home Price Index

## Economic Focus

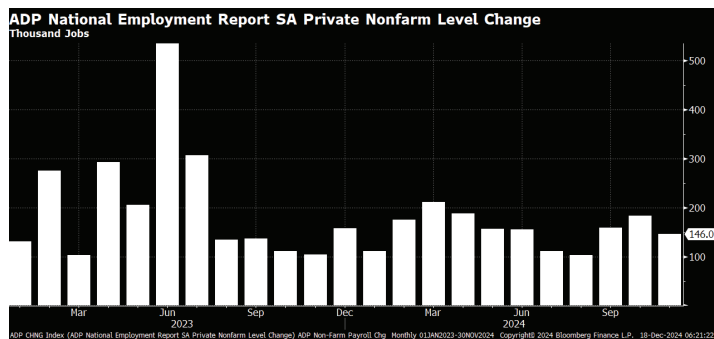
Many markets appear to be entering trends within trend patterns. The rallies in gold, equities, and treasuries have shifted into a corrective posture with year-end window dressing for portfolios (protecting significant gains for annual performance measures), Washington gridlock, a less dovish Fed, tariffs fears prompting inflation or slowing, a slowing Europe, a stagnant Chinese economy, and a lack of direction in the US economy prompting this year's most significant corrections.

Looking long-term, there are signs of trouble in the US job market, with small business hiring and jobs sliding well below this year's highs. Remember, the small business sector has been the mainstay of the US economy since the pandemic. In fact, the fourth quarter monthly ADP national payrolls have flatlined, with a softer reading for December ahead, which is likely to ramp up US slowing concerns. We suspect thinning holiday conditions combined with severe overbought technical conditions at the beginning of December left many markets vulnerable to more significant than anticipated washouts. However, it is possible that the approach of the Christmas and New Year could provide a temporary measure of optimism, especially if equities forge a "Santa Claus" rally.

On the other hand, further weakness in physical commodities (particularly gold) and equity selling are likely, given the inability to get a US government budget approved and the uncertainty around the new Trump Administration. In fact, we suspect the outgoing Biden Administration will surprise the markets with executive orders and pardons for those with long sentences and politicians. Furthermore, the incoming administration will likely spark fireworks with waves of executive orders and promises/threats of significant changes throughout the US

government. Perhaps the most critical uncertainty facing the markets in January will be the launch of a wave of simultaneous trade negotiations with the US starting out with "shock and awe" tariff threats! Taking signals from the beginning of the first Trump administration, initial demands from the president were excessive, but they did produce results from various trade partners.

Ultimately, the US economy maintains mostly solid employment, and inflation has been moving in the right direction.



### OVERVALUED/UNDERVALUED

Fundamental	Technical	COT
<b>OVERVALUED</b>		
Natural Gas	Dollar Index	Gold
Crude Oil	Natural Gas	Hogs
Dollar Index	Cocoa	Coffee
<b>UNDERVALUED</b>		
Bonds	British Pound	Canola
Copper	Stocks	Cotton
Japanese Yen	Bonds	Notes

## OUR OPINION... MARKET BY MARKET

Market		*
<b>Stocks</b>	2024 post wash chop 4-days; Tues low if rates steady	L
<b>Bonds</b>	Bond vigilantism or normal business? Too cheap now.	L
<b>Dollar</b>	US winning rate differential race; more upside.	L
<b>Euro</b>	Clearly dovish ECB as Europe slows down.	S
<b>Gold</b>	Value at \$2,600, but outside markets are bearish.	S
<b>Silver</b>	\$29.00 value but macro case favors the bear camp.	S
<b>Copper</b>	Tech & Supply low, but soft Chinese demand to limit.	L
<b>Crude</b>	Range trade to continue, but support is below \$67.50.	S
<b>Gasoline</b>	5 straight weeks of rising supply targets sub \$1.90.	S
<b>Nat Gas</b>	Long-term demand talk may have sparked false rally.	S
<b>Soybeans</b>	9.80-10.00 strong resistance on March futures.	S
<b>Corn</b>	Positive techs, 451 will be important resistance.	L
<b>Wheat</b>	New contract lows, needs basing before next rally.	N
<b>Hogs</b>	Uptrend hanging on, but record fund longs a worry.	N
<b>L Cattle</b>	Current break held 200-day support, no extreme cold.	N
<b>Sugar</b>	India production 17% behind last season's pace.	L
<b>Coffee</b>	Brazil 2025/26 production woes continue to support.	L
<b>Cocoa</b>	Ghana reduces 2024/25 production forecast.	L
<b>Cotton</b>	Strong Dollar, tariff threat may impact export outlook.	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 S&P 6,250/6,000 bull call @ 35.00**

**Buy Feb Bond 117.00 call @ 0-28**

**Buy Feb Gold \$2,695/\$2,810 bull call @ 9.00**

### Overvalued

**Sell Mar Copper \$4.00 put @ 0.0650\***

**Sell Feb Dollar Index 108.50 call @ 1.10\***

**Sell Feb Natural Gas \$3.70 call @ 0.380\***

### Trend Reversals

**Buy Mar Soybean Oil 41.00 call @ 1.75**

**Buy Feb Japanese Yen 64.50 call @ 0.0090**

**Buy Feb Natural Gas \$3.20/\$2.80 bear put @ 0.140**

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

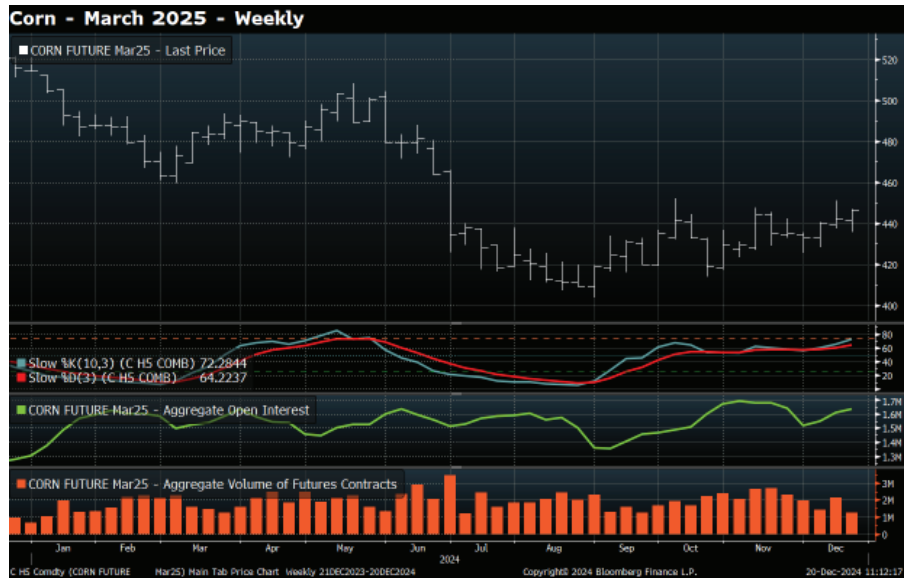
Original Trade Date	Trade	Action
Bonds 10/25/24	Long a January Bond 121.00 call at 1-30. Previously Long a December Bond 116.00 put at 0-62 which expired at 0-00.	Use an objective on the January call of 1-39.
Corn 10/25/24	Long 2 May Corn 430 Calls and Short 2 May Corn 490 Calls at a net cost of 17 1/2 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.	<b>Use an objective of 2-15 on the bear put spread.</b>
Emini S&P 11/22/24	<b>BOUGHT a December Emini S&amp;P 6020/6100 bull call spread at 24.95.</b>	<b>HIT PROTECTIVE STOP at 13.45 for a loss of 11.50 on the strategy.</b>
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	<b>BOUGHT a March Nasdaq 24,000/25,000 bull call spread at 60.50.</b>	Use an objective of 149.00, and risk the trade to 49.00.
Gold 12/20/24	BUY a February Gold \$2,580/\$2,500 bear put spread at 17.00.	Use an objective of 43.00, and risk the option spread to 7.00.
Crude Oil 12/20/24	SELL February Crude Oil at \$69.85	Use an objective of \$65.90, and risk the trade to \$70.95.
Crude Oil 12/20/24	BUY a February Crude Oil \$66.00 put at 0.75	Use an objective of 3.10, and risk the option to 0.30.

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.

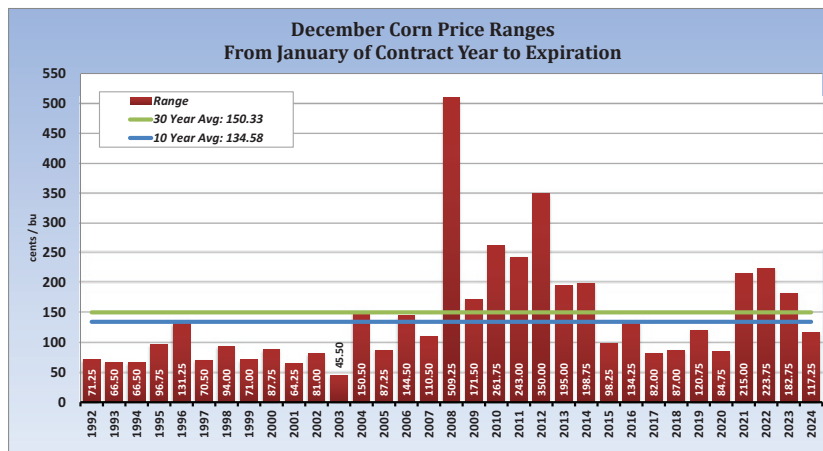
# GRAIN AND OILSEED END-OF-YEAR UPDATE

## Corn

With year-end approaching, a quick review of grain and oilseed prices during 2024 shows a bearish scenario dominated from May through early fall by plentiful supplies and overall good growing weather. US corn yields reached a record high by 3%, and funds held record bearish positions this past July only to flip to the long side by late fall as export demand (including record-high purchases by Mexico) increased and boosted futures prices. The US export window will remain open until after February when South American new crop corn supplies become available. The recent strength of the US dollar, which hit a 2-year high this past week, is a headwind for prices but has not yet significantly slowed the export pace to date.



*Continued on Next Page...*



USDA SUPPLY/DEMAND							
US CORN							
	18-19	19-20	20-21	21-22	Dec 22-23	Dec 23-24	Dec 24-25
Planted Area (M Acres)	88.9	89.7	90.7	92.9	88.2	94.6	90.7
Harvested Area (Acres)	81.2	81.0	82.2	85.0	78.7	86.5	82.7
Yield (Bu/Acre)	176.4	167.5	171.4	176.7	173.4	177.3	183.1
Beginning Stocks (M Bu)	2,140	2,237	2,004	1,235	1,377	1,360	1,760
Production	14,322	13,568	14,087	15,018	13,651	15,341	15,143
Imports	28	42	24	24	39	28	25
Supply, Total	16,490	15,847	16,115	16,277	15,066	16,729	16,928
Feed & Residual	5,392	5,778	5,667	5,671	5,486	5,807	5,825
Food, Seed & Industry	6,792	6,286	6,466	6,757	6,558	6,869	6,890
Ethanol for Fuel	5,378	4,857	5,028	5,320	5,176	5,478	5,500
Domestic Total	12,185	12,064	12,134	12,427	12,044	12,676	12,715
Total Exports	2,068	1,778	2,747	2,472	1,662	2,292	2,475
Use, Total	14,253	13,843	14,881	14,900	13,706	14,969	15,190
Ending Stocks	2,237	2,004	1,235	1,377	1,360	1,760	1,738
Stocks/Use Ratio	15.7%	14.5%	8.3%	9.2%	9.9%	11.8%	11.4%

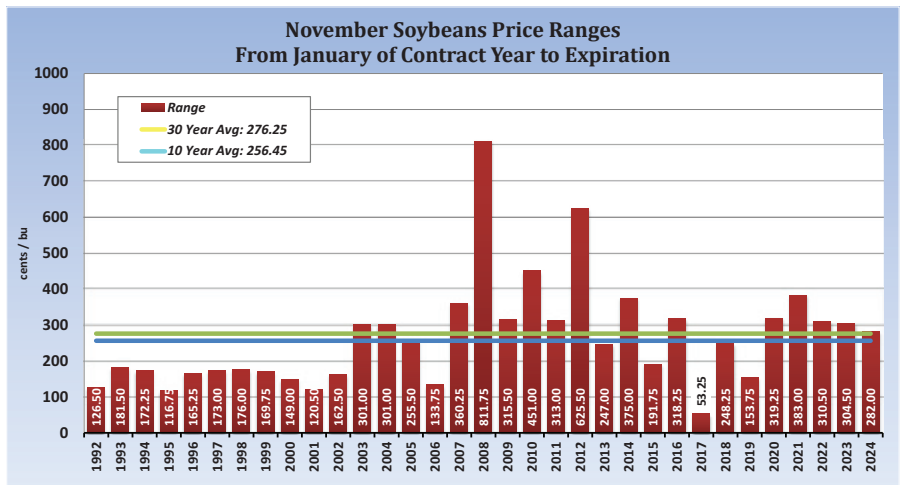
# GRAIN AND OILSEED END-OF-YEAR UPDATE

Continued from Previous Page

## Soy Complex

Soybean prices in 2024 have fallen to 4-year lows, and the 26% price drop this year is the most significant annual decline in two decades. Favorable weather in Brazil is expected to significantly increase soybean output at a time when China's import needs are contracting due to economic issues and lower feed demand. US soy crush has seen numerous monthly record highs this year and will likely continue into 2025. However, the increased crush has created a bearish scenario for soybean meal, with excess production competing with DDGs for US feed demand and against South America for product export share. Soybean oil prices rallied sharply in November, but uncertainty over biofuel policy under the new Trump Administration knocked prices back down to the lower end of this year's range. US exports to China hit a four-year low this year as Brazil met most of China's import requirements. The Chinese government has been attempting to increase grain and oilseed yields to reduce reliance on Ag imports.

Continued on Next Page...



USDA SUPPLY/DEMAND US SOYBEANS	Dec						
	18-19	19-20	20-21	21-22	22-23	23-24	24-25
Planted Area (M Acres)	89.2	76.1	83.4	87.2	87.5	83.6	87.1
Harvested Area (Acres)	87.6	74.9	82.6	86.3	86.2	82.3	86.3
Yield (Bu/Acre)	50.6	47.4	51.0	51.7	49.6	50.6	51.7
Beginning Stocks (M Bu)	438	909	525	257	274	264	342
Production	4,428	3,552	4,216	4,464	4,270	4,162	4,461
Imports	14	15	20	16	25	21	15
Supply, Total	4,880	4,476	4,761	4,737	4,569	4,447	4,818
Crushings	2,092	2,165	2,141	2,204	2,212	2,287	2,410
Exports	1,753	1,683	2,266	2,152	1,980	1,695	1,825
Seed	88	97	101	102	75	78	78
Residual	39	11	-4	5	39	45	35
Use, Total	3,971	3,952	4,504	4,463	4,305	4,105	4,348
Ending Stocks	909	525	257	274	264	342	470
Stocks/Use Ratio	22.9%	13.3%	5.7%	6.1%	6.1%	8.3%	10.8%

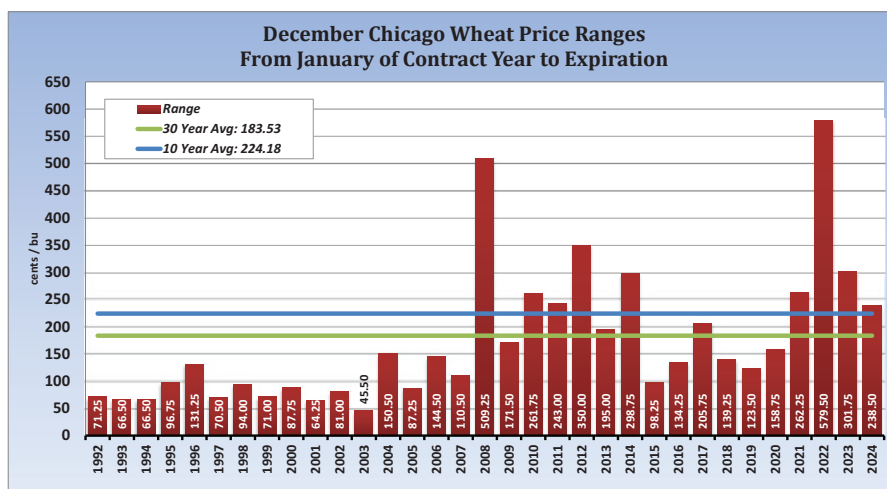
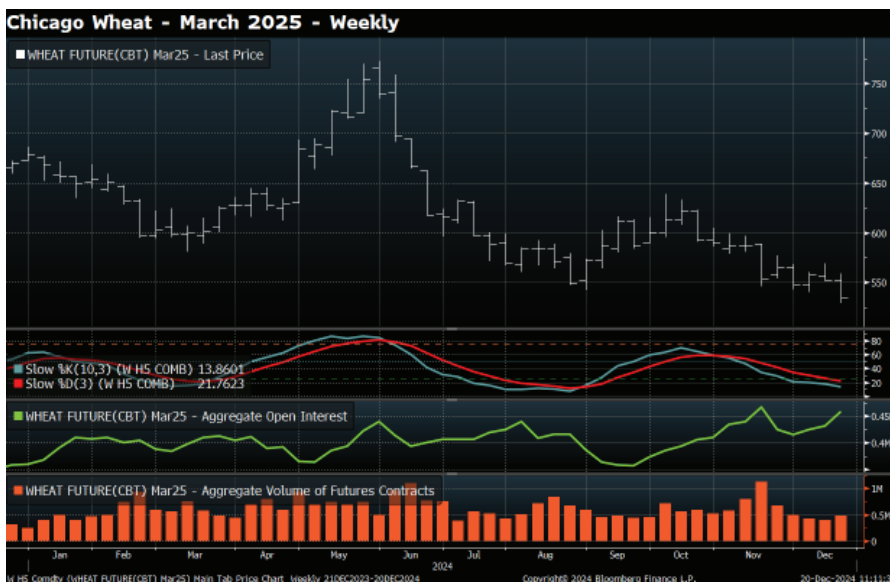
# GRAIN AND OILSEED END-OF-YEAR UPDATE

Continued from Previous Page

## Wheat

Wheat prices in 2024 spiked higher in the spring, but despite global wheat supplies tightening to 17-year lows among major exporters, Chicago wheat futures remain near 6-year lows. This paradox is primarily due to increased export volumes from Russia, which have kept Black Sea prices competitive. This fall, significant improvement in US Plains hard red wheat soil moisture elevated crop conditions before winter dormancy.

Continued on Next Page...



USDA SUPPLY/DEMAND							
US WHEAT							
	18-19	19-20	20-21	21-22	Dec 22-23	Nov 24-25	Dec 24-25
Planted Area (M Acres)	47.8	45.5	44.5	46.7	45.8	46.1	46.1
Harvested Area (Acres)	39.6	37.4	36.6	37.1	35.5	38.5	38.5
Yield (Bu/Acre)	47.6	51.7	49.7	44.3	46.5	51.2	51.2
Beginning Stocks (M Bu)	1,099	1,080	1,028	845	674	696	696
Production	1,885	1,932	1,820	1,646	1,650	1,971	1,971
Imports	135	104	100	96	122	120	125
Supply, Total	3,119	3,116	2,948	2,588	2,446	2,788	2,793
Food	954	962	961	971	972	966	966
Seed	59	62	64	58	68	62	62
Feed & Residual	88	95	85	88	74	120	120
Domestic, total	1,102	1,118	1,109	1,117	1,114	1,148	1,148
Total Exports	937	969	994	796	762	825	850
Use, total	2,039	2,087	2,103	1,913	1,876	1,973	1,998
Ending Stocks	1,080	1,028	845	674	570	815	795
Stocks/Use Ratio	53.0%	49.3%	40.2%	35.3%	30.4%	41.3%	39.8%

# GRAIN AND OILSEED END-OF-YEAR UPDATE

*Continued from Previous Page*

## 2025

In 2025, the Ag Outlook is clouded by questions about whether the new Trump Administration will follow through with significant tariffs and whether subsequent retaliation will spark a major trade war. The considerable decline in bean prices may incentivize US farmers to allocate more acreage to corn in 2025, which may result in the December 2025 corn contract losing ground to November 2025 beans in the 1st quarter of 2025. Bean prices are likely to be negatively impacted if a trade war develops, and China's negotiating position will be strong as long as South American crops are in good condition. Soybean fundamentals are clearly the most bearish of the grain and oilseed complexes. The wheat market will be impacted by the condition of Russia's winter grains, which went into dormancy and are in poor shape. In addition, Russian wheat exports are

expected to slow this winter. However, the strength of the US dollar will make it hard for the US to claw back significant global wheat export market share.

The bottom line is that 2025 is expected to be volatile, with trade policies, weather conditions, and global grain supplies the key market forces. We prefer to position on the short side in beans on a rally.

### **Suggested Trading Strategy**

**SELL** 1 March Bean futures on a bounce to 997 ½. Risk the trade to 1012. Use an objective of 940 on the downside.



# GOLD AND CRUDE LOOK TO EXTEND LOSSES

Given a broad corrective environment, a loss of "animal spirits," a return to political acrimony, a surprising lull in the Middle East tensions, and explosive strength in the US dollar, we expect gold and crude oil prices will extend their recent losses. In fact, the gold market looks to plummet (as is its "personality") with the futures washout paralleled by a sharp decline in gold ETF holdings, a sharp deceleration in Indian and Chinese purchasing (from both price shock and currency weakness), and very damaging outside market action in Treasuries. While we doubt gold will embrace fears of global slowing and even less likely fears of deflation, more bullish sentiment will likely be pulled from the market from self-perpetuating end-of-year "stop loss/profit taking" selling.

We should note that the net spec and fund long in gold has recently been around 300,000 contracts, with the market unlikely to be "mostly liquidated" until the net spec and fund long dips below 200,000 contracts. Fortunately for the bull camp, the rapid gold slide starting in the middle of December means the market-balancing process is well underway, has brought lower flat pricing (down nearly 12% from the October high), and is already producing steep price discounts for Indian and Chinese buyers. Unfortunately for the bull camp, open interest might not be fully balanced, and stochastics are not likely to shift into "buy mode" without a decline below the November lows of \$2,575. However, historically, flight to quality issues, overdone technicals, bargain hunting buying, and outside market reversals may impact their course!

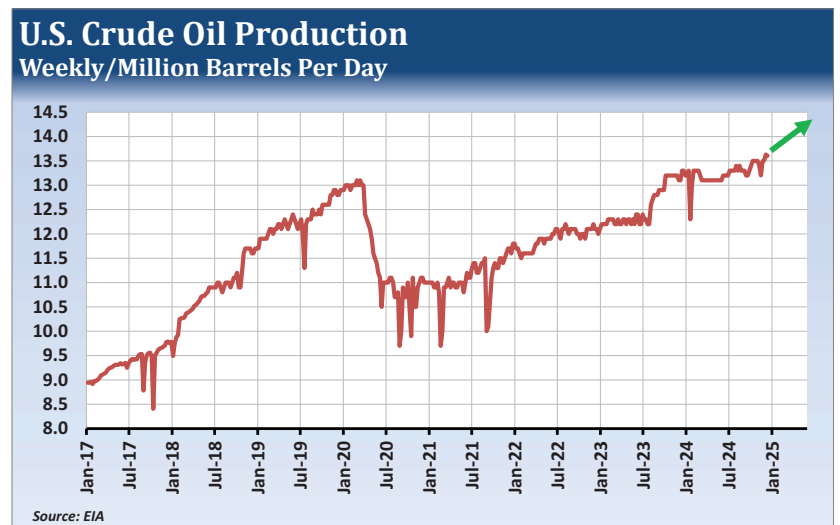
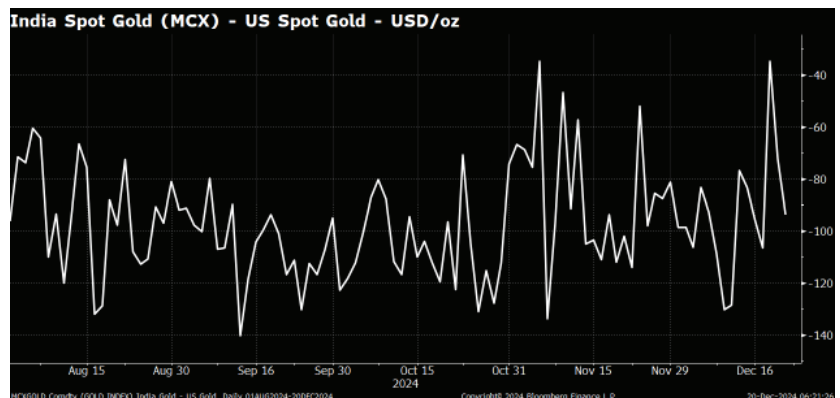
Another market likely to remain under pressure is crude oil as global demand views are eroding, 2025 US production forecasts are likely to project a trend of record output, recent strength in the Dollar may pinch US oil exports, and we think China bought oil for their reserves earlier this month potentially leaving an import demand gap in January. While relative calm in the Middle East is currently in place, religious holidays can spark aggression. Putin has seemingly cracked the door open slightly to peace talks. The net spec and fund-long

position in crude oil could be "mostly liquidated" with a trade below \$67.00. Unfortunately for the bull camp, a return to the November low in February crude oil down at \$66.39 is likely in the coming weeks as "job one" from the incoming Trump Administration will likely center on driving down fuel costs.

In conclusion, crude oil could be poised for a sizeable year-end washout that is exaggerated by nearly 1.9 million contracts of open interest and short-term technical signals (such as stochastics) just shifting into "sell mode" on December 19th.

## Suggested Long-term Trading Strategies

- 1) **BUY** a February Gold \$2,580/\$2,500 bear put spread at 17.00 with an objective of 43.00. Risk the option spread to a price of 7.00.
- 2) **SELL** February Crude Oil at \$69.85 with an objective of \$65.90. Risk the position to \$70.95.
- 3) **BUY** a February Crude Oil \$66.00 put at 0.75 with an objective of 3.10. Risk the option to 0.30.



# BEARISH SUPPLY OUTLOOK HAS NATURAL GAS OVERVALUED

The natural gas market has seen chaotic price action over the past two weeks, culminating in a 3 1/2-week high on Friday. However, a further rally may present a shorting opportunity due to above average storage levels. The market has found support from the last two EIA weekly storage reports, which have seen weekly draws of 190 billion cubic feet (the largest decline since January) and 125 billion cubic feet. In addition, the Plaquemines export terminal in Louisiana has started operations, increasing the natural gas demand for US LNG production.

Even after back-to-back “triple-digit” weekly declines, US gas storage is still 20 bcf above last year’s level and 132 bcf above the 5-year average. US gas storage typically reaches an annual peak in November. This year’s high of 3,974 bcf during the week of November 8th was the largest storage reading for any week since November 2017. A key factor this year has been US dry gas production, which has been above the 100 bcf per day level for most weeks.

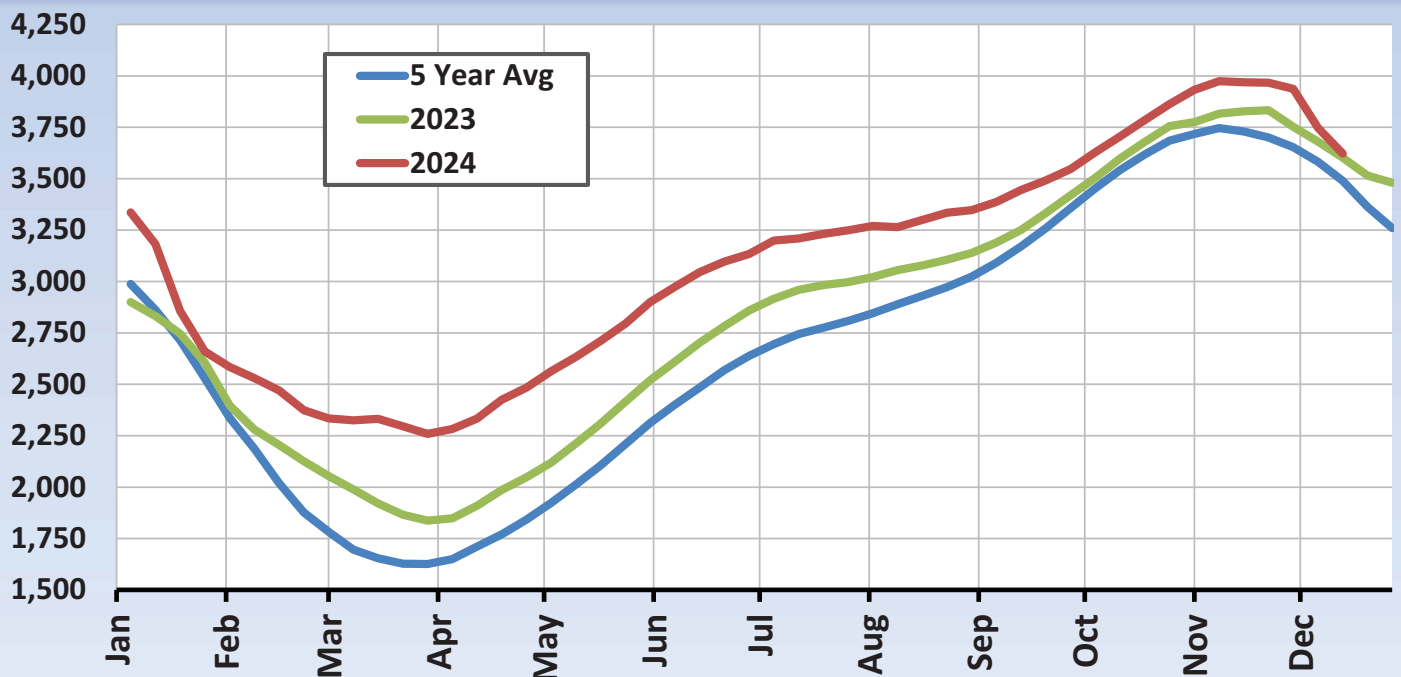
With the latest 8 to 14-day forecast showing above-normal temperatures across the lower 48 states, US gas storage should start 2025 well above the 3,000 bcf level. While LNG exports should reach record highs in the near future, further increases may be limited

over the next few years. Natural gas prices are currently overvalued with storage levels near record seasonal levels. Another near-term rally should present an opportunity to approach the short side of the market.

## Suggested Trading Strategy

**Option Spread:** **BUY** a February Natural Gas \$3.150/\$2.850 bear put spread at 0.115 or better. Use an objective of 0.285 and risk the option spread to 0.045.

## US EIA Working Gas in Storage Weekly - Billion Cubic Feet



Source: EIA

# INCREASING US CRUDE OIL PRODUCTION BY 3 MILLION BPD UNLIKELY

The incoming Trump Administration's nominee for Treasury Secretary, Scott Bessant, has proposed a "3-3-3" economic plan that includes cutting the budget deficit to 3% of GDP while lifting GDP growth to 3% through deregulation and pro-growth policy. The third leg of the "3-3-3" policy is to increase US crude oil production by 3 million bpd, bringing US production up to around 16.5 million bpd.

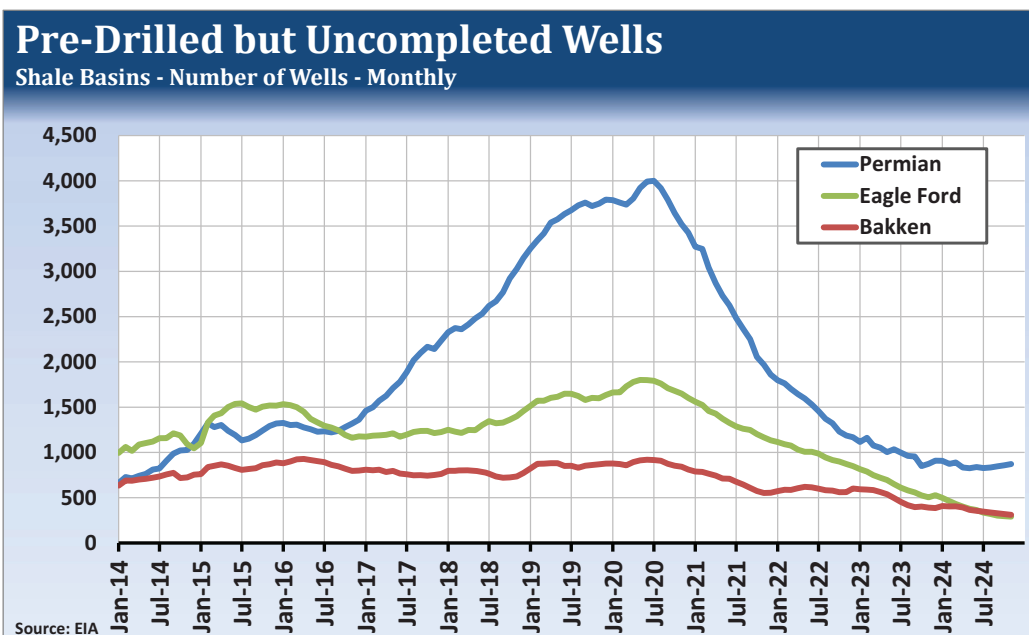
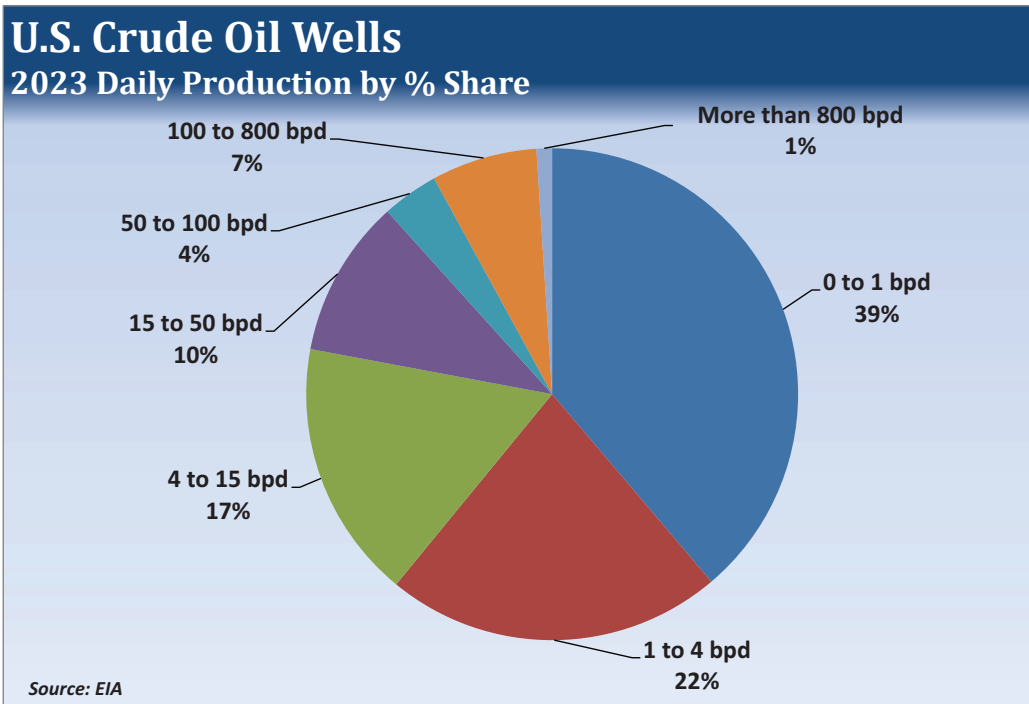
will make many US wells economically unfeasible. A sizable pullback in crude oil prices could result in many low-producing wells being idled or permanently abandoned. Low crude oil prices also make it hard to justify exploration costs. While US production should continue to grow, an additional 3 million bpd in output remains an unlikely prospect.

The latest Baker Hughes US oil rig count came in at 483 rigs, which is marginally above the 2 1/2-year low of 477 set in July. The US oil rig count has stayed below 500 rigs since April, and since the COVID pandemic, it has seen a high reading of 627 rigs in December 2022. In contrast, over 1,000 oil rigs were in operation between June 2011 and February 2015, with a high of 1,609 rigs during October 2014.

405,071 wells in the US produced crude oil during 2023, the lowest reading since 2010. 78% are considered "stripper wells" that produce 15 bpd or less, while 39% of US oil wells produce one bpd or less. US oil wells that produced 15 bpd or less accounted for 6% of overall US crude oil production, while the 0.2% that produced 1,600 bpd or more (806 wells) accounted for 17% of US production.

In addition, wells that have been pre-drilled but are uncompleted (known as "DUC" wells) have been a relatively quick source of increased production as their oil can be brought to market with less work than a completely new well. The total of DUC wells in the Permian, Eagle-Ford and Bakken basins (the 3 main sources of US crude oil production) have fallen to the lowest levels since 2014.

While additional US crude oil will lead to lower prices, lower prices





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 December 17, 2024  
Non-Commercial & Non-Reportable  
Combined Futures & Options

Market	Net Position	Net Change	4-Wk Net Change	52-Wk Ranking
Grains				
CBOT Grains	-79,145	-49,844	50,327	50
Corn	123,624	-9,352	76,443	51
KC Wheat	-18,531	3,875	1,248	39
Minn Wheat	-23,807	1,574	263	27
Rice	-362	-180	1,247	9
Soybeans	-118,537	-26,427	-6,563	30
Soyoil	28,635	-20,508	-8,579	41
Soymeal	-40,194	-17,119	-10,819	4
Wheat	-84,232	-14,065	-19,553	1
Livestock				
Cattle	118,473	10,232	19,479	52
Feeder Cattle	6,123	-560	742	50
Hogs	118,107	-10,029	-7,320	48
Metals				
Copper	11,528	-5,373	-5,285	12
Gold	285,689	-12,643	15,482	35
Platinum	18,841	-2,318	-4,921	19
Silver	54,425	-2,618	-3,448	13
Softs				
Cocoa	40,286	-1,116	-1,020	40
Coffee	64,030	-1,144	-3,718	21
Cotton	-24,105	-7,416	-9,064	11
Lumber	#N/A	#N/A	#N/A	#N/A
Milk	-6,346	2,757	3,539	25
OJ	8,293	1,157	992	52
Sugar	73,083	-38,004	-24,224	28
Currencies				
Canadian	-192,623	1,479	-35,396	3
Dollar	7,327	9,290	9,575	39
Euro	-36,046	9,369	-11,471	2
Energies				
Crude Oil	256,407	29,169	22,736	25
Gas (RBOB)	70,651	-4,623	3,716	34
Heating Oil	-22,848	13,618	-68	3
Natural Gas	-121,850	15,815	28,813	11
Financials				
Bonds	39,251	561	11,657	41
E-Mini S&P	141,889	49,864	52,173	46
Dow Jones \$5	13,165	-3,135	-1,053	18
T-Notes	-644,389	154,220	163,424	26
	<b>Extreme</b>	Ranking 1 = Shortest Short		
	<b>5% of Extreme</b>	52 = Longest Long		