LAKEFRONT FUTURES

January 10, 2025

THIS ISSUE

Near Term:	
Bullish:	Corn
Bearish:	Cocoa
Long Term:	
Bullish:	Bonds
Other:	
Strong Finish to 2024 for U.S. Light Vehicle Sales	

MAJOR ECONOMIC EVENTS

January 13
- Chinese Trade Balance

January 14
- Producer Price Index

January 15
- Consumer Price Index
- NY Fed Empire State Survey
- Fed Beige Book

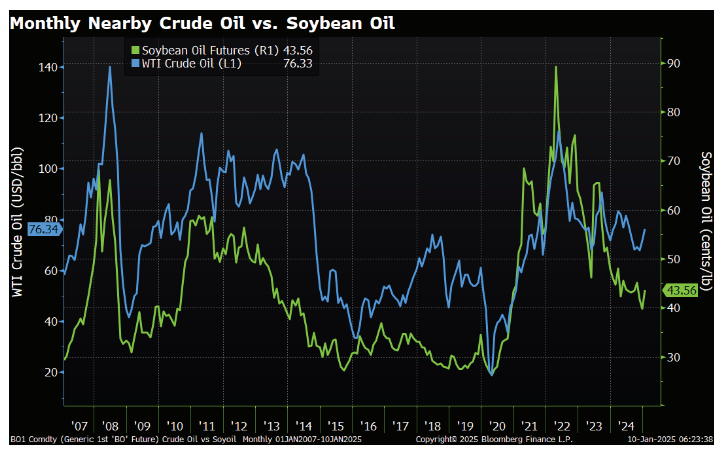
January 16
- Retail Sales
- Jobless Claims
- Philly Fed Survey
- Import & Export Prices
- Business Inventories
- NAHB Housing Index

January 17
- Chinese GDP/IP/Retail Sales
- Housing Starts
- Industrial Production
- Treasury International Capital

Economic Focus

Over the coming two weeks, U.S. and global markets will face significant political uncertainty. With equity markets generally out-of-favor (possibly from a rotation to attractive treasury yields), the dollar remaining strong, developing fears of slowing, and very low expectations for a January 29th US rate cut, physical commodities will likely receive pressure. We should note that long-term US treasury yields are approaching multi-decade highs while 30-year fixed home mortgages are approaching 7% and appear headed to 8%! However, physical commodity prices should be underpinned due to crude oil tracking near seven-month highs and the approach of China's Lunar New Year holiday period which begins with the new moon on January 29th. Historically, surging energy prices have coincided with strength in corn, soybean oil, sugar, gold, and, at times, cotton, and that could help mitigate what appears to be a soft commodity start for 2025.

Looking further ahead to the likely actions of the incoming Trump Administration, we think crude oil prices could be setting up for a significant selling opportunity as one of the top priorities of the incoming Administration is to "get retail gasoline prices down." In the near term, tight US crude oil inventories in an export location and fear of supply disruptions of Middle East and Russian supplies resulting from aggressive Trump actions against Iran and Russia could push nearby crude oil prices to the $80 level! On the other hand, stellar-performing soft commodity markets are showing signs of surrendering long-entrenched bull market status, the grain markets remain massively oversupplied, and global economic confidence is low!



OVERVALUED/UNDERVALUED

Fundamental	Technical	COT
OVERVALUED		
Natural Gas	Coffee	Coffee
Copper	Sugar	Gold
Crude Oil	Natural Gas	Crude Oil
UNDERVALUED		
Bonds	Japanese Yen	Canadian Dollar
Bitcoin	Canadian Dollar	Canola
Gold	Notes	Notes

OUR OPINION... MARKET BY MARKET

Market		*
Stocks	Attractive Bond yields are siphoning off capital.	S
Bonds	Massively oversold & fundamentally too cheap.	L
Dollar	Ultimately the trend is up for early 2025.	L
Euro	Technical bounce should offer favorable short pricing.	S
Gold	Fiscal concerns & US political uncertainty.	L
Silver	Silver likely to lag gold on a January rally.	L
Copper	Too expensive given sluggish Chinese economy.	S
Crude	Expectations of surging US production from Trump.	S
Gasoline	Least tight US market; likely a downside leader ahead.	S
Nat Gas	Very expensive without weather production issues.	S
Soybeans	Bullish yield cut, next target @ 1041 1/2 March	L
Corn	USDA 3.8 bpa yield cut, tighter end stocks are bullish.	L
Wheat	Neutral report, sideways/lower trend may continue.	S
Hogs	Bullish turn up this week, test of 84.00 on Feb next.	L
L Cattle	Feb nearing all time highs, trend bullish.	L
Sugar	Rain will improve outlook for 25/26 Brazil cane crop.	S
Coffee	Drier conditions in Vietnam will speed up harvest.	S
Cocoa	Demand may sag due to high raw material prices.	S
Cotton	Strong Dollar continues to weaken 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 Copper $4.15 put @ 0.0580
Buy Mar RBOB $1.98 put @ 0.0410
Buy Mar Cocoa 10,100/9,700 bear put @ 120

Overvalued

Sell Mar Natural Gas $3.85 call @ 0.175*
Sell Mar Bond 110.00 put @ 1-21*
Sell Mar Crude Oil $78.00 call @ 2.20*

Trend Reversals

Buy Mar Crude Oil 73.00/68.00 bear put @ 1.15
Buy Mar S&P 6,150/6,400 bull call @ 24.50
Buy Mar Canadian Dollar 69.50 call @ 0.0075

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
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.	**HIT OBJECTIVE of May Corn futures at 476 for a profit of 18 3/8 cents on the strategy.**
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.	**February bear put spread HIT OBJECTIVE at 2-28 for a net profit of 2-42 on the entire strategy.**
ULSD 12/06/24	BUY a February ULSD $2.14/$2.23 bull call spread at 0.0200.	CANCEL STRATEGY
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.
Natural Gas 1/03/25	BUY March Natural Gas futures at a recent double low of $2.868.	Use an objective of $3.400, and risk the trade to $2.740.
Natural Gas 1/03/25	**BOUGHT a March Natural Gas $3.15/$3.60 bull call spread at $0.101.**	Use an objective of $0.390 and risk the option spread to a price of $0.049.
Bonds 1/10/25	**BUY a March Bond 111-00/106-00 bear put spread at 1-10. Once filled on the bear put spread, BUY 5 March Bond 117-00 calls for 0-23 each (a total of $1,796).**	**Use an objective of 2-10 on the bear put spread and an objective of 1-45 on the long 117-00 calls. Since this strategy has a defined risk (premium costs only), we will offer guidance on risks in upcoming publications.**

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.

BONDS: DIFFERENT THIS TIME?

While traders have anticipated a reckoning in the US treasury markets as frequently as "rain in rain forests," this time suggests recent market action has separated the current scare from past ones. The argument is that "bond vigilantes" are pressuring US treasuries because of the need for larger returns to compensate for higher risk in holding US debt instruments. This argument is given credence by the fact that since the beginning of December, treasury bond prices fell by nine full points (or 7.5% lower) in the face of fundamentals ordinarily considered patently bullish. In other words, US treasury yields have marched higher despite the Federal Reserve widely perceived to be in an easing posture, signs of falling inflation, and perhaps most importantly, in the face of signs that the US economy has lost momentum. Another sign giving credence to change in the treasury markets is the return to a positively sloping US yield curve (ten-year versus two-year constant maturities).

Following the shift from an inverted yield curve to a positively sloped yield curve in August, the US yield curve has reached the steepest level since the highly anxious Covid lockdowns. The next 30 days could be some of the most critical days in the history of the treasury markets as the trade is not sure of the exact level of the US deficit, as estimate adjustments are in the trillion-dollar category! The sharp slide in treasury prices is a clear message to Washington to stop deficit spending, or the ever-expanding supply of US debt will come at increasingly higher costs. Several years ago, the average cost of US debt was approximately 2.67%; currently, some estimates are projecting US debt costs will surpass 3.3%. An example of US politicians and many US-based financial analysts not listening to the markets is the widespread use of US debt as a percentage of GDP instead of focusing on net debt or the burgeoning cost of interest on that debt. Regardless of how the market interprets the severity of the US debt crisis (for it is now a debt crisis), the cost of interest on debt is approaching or has already become the largest source of US spending.

With the US Government Accounting Office reporting a deficit of $36 trillion, interest on that debt at 3.3% is $1.2 trillion. For those who believe in the government's ability to bring the debt under control, those who believe debt levels "don't matter," and those who think the US will once again be allowed to "kick the can down the road" and continue "business as usual," current treasury prices are an outstanding value! On the other hand, a few statistics might change the minds of those who expect a continuation of the status quo.

Our strategy for the coming two months resembles a straddle with bullish and bearish components.

Suggested Long-term Trading Strategy

BUY a March Bond 111-00/106-00 bear put spread at 1-10. Once filled on the bear put spread, **BUY** 5 March Bond 117-00 calls for 0-23 each (a total of $1,796). Use an objective of 2-10 on the bear put spread and an objective of 1-45 on the long 117-00 calls. Since this strategy has a defined risk (premium costs only), we will offer guidance on risks in upcoming publications.

- The current US debt of $36 trillion is larger than the combined GDP of the Chinese, German, Japanese, Indian, and UK economies.
- Current debt amounts to $274,000 per household (or $107,000 per person).
- At current debt levels, if every household paid $1,000 per month, it would take 23 years to extinguish the debt.
- For those in favor of free college, current debt levels would provide every high school graduate with a four-year college education for 106 years!
- The US is currently paying $3 billion every day just for interest!

CORN OUTLOOK FOR Q1 2025: TIGHTER ENDING STOCKS BUT TRADE WAR THREAT LOOMS

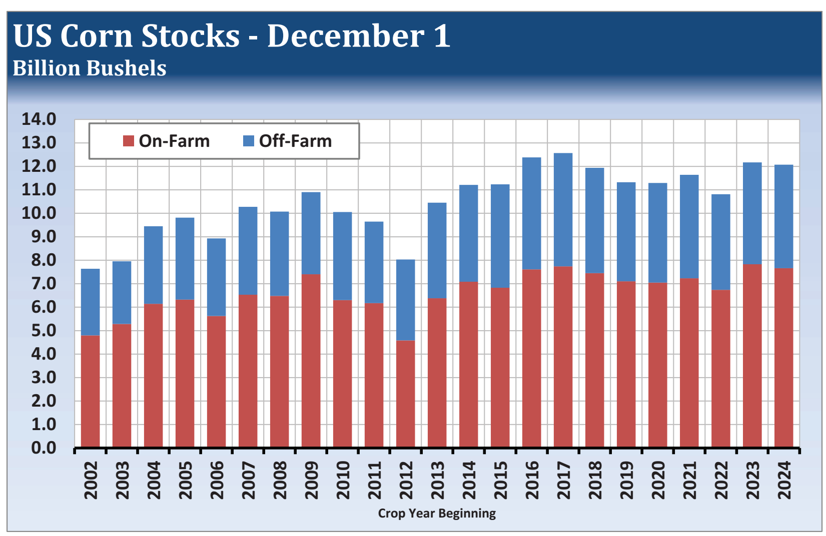
USDA SUPPLY/DEMAND US CORN	18-19	19-20	20-21	21-22	Jan USDA 22-23	Dec USDA 24-25	Jan USDA 24-25
Planted Area (M Acres)	88.9	89.7	90.7	92.9	88.2	90.7	90.6
Harvested Area (Acres)	81.2	81.0	82.2	85.0	78.7	82.7	82.9
Yield (Bu/Acre)	176.4	167.5	171.4	176.7	173.4	183.1	179.3
Beginning Stocks (M Bu)	2,140	2,237	2,004	1,235	1,377	1,760	1,763
Production	14,322	13,568	14,087	15,018	13,651	15,143	14,867
Imports	28	42	24	24	39	25	25
Supply, Total	16,490	15,847	16,115	16,277	15,066	16,928	16,655
Feed & Residual	5,392	5,778	5,667	5,671	5,486	5,825	5,775
Food, Seed & Industry	6,792	6,286	6,466	6,757	6,558	6,890	6,890
Ethanol for Fuel	5,378	4,857	5,028	5,320	5,176	5,500	5,500
Domestic Total	12,185	12,064	12,134	12,427	12,044	12,715	12,665
Total Exports	2,068	1,778	2,747	2,472	1,662	2,475	2,450
Use, Total	14,253	13,843	14,881	14,900	13,706	15,190	15,115
Ending Stocks	2,237	2,004	1,235	1,377	1,360	1,738	1,540
Stocks/Use Ratio	15.7%	14.5%	8.3%	9.2%	9.9%	11.4%	10.2%

The USDA surprised the bull camp today in the January Supply/Demand report, which featured a significant yield cut of 3.8 bushels/acre and a nearly 200 million bushel decrease in ending stocks from the December report. The shift lower in US ending stocks should provide underlying support for the market, at least until spring weather in the US becomes a market factor. Elevated demand has been a supportive factor for corn prices over the last 2 months. Still, the market will likely face significant uncertainty after President-elect Trump's inauguration due to trade war fears and his plans to implement tariffs. Whether or not Trump's tariff threats are a bluff, reality will partially dictate corn's price direction during the 1st quarter.

The other major story for the 1st quarter is South American weather. Dryness has been expanding in Argentina and southern Brazil recently and is expected to peak with hot temperatures next week. However, forecasts indicate potential rains in the January 17–22 timeframe, which could significantly relieve the dry conditions. Extended weather forecasts this coming week will also be critical to price direction, especially after today's bullish USDA data.

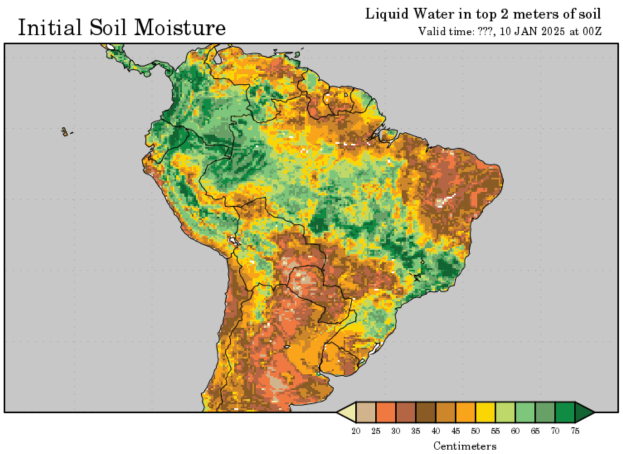
Brazil is currently growing its 1st corn crop, which accounts for less than 25% of its total production. The second crop, commonly referred to as Safrinha corn, represents the vast majority of Brazilian output and is planted in the US spring season. The biggest threat to the 2nd crop (other than drought) is a delay in planting, which can push corn pollination into the dry season. Therefore, it will be essential for the Brazilian bean harvest (which has just begun) to finish promptly to allow 2nd crop planting during the ideal window. If planting does occur on time, a large 2nd crop harvest could compete heavily for global export share in the second half of the North American summer.

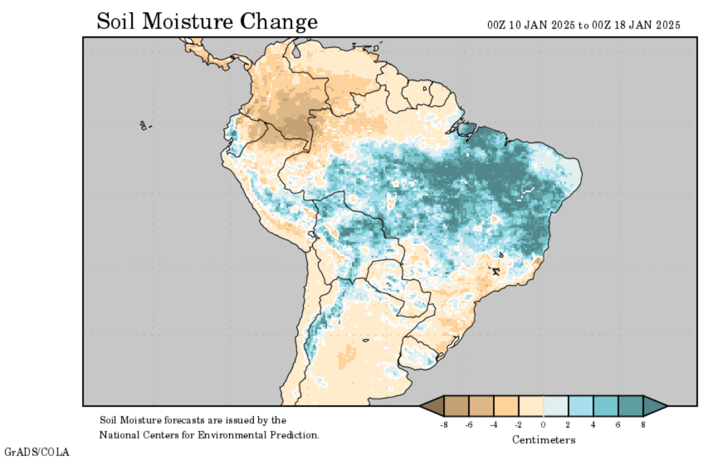
Continued on Next Page...

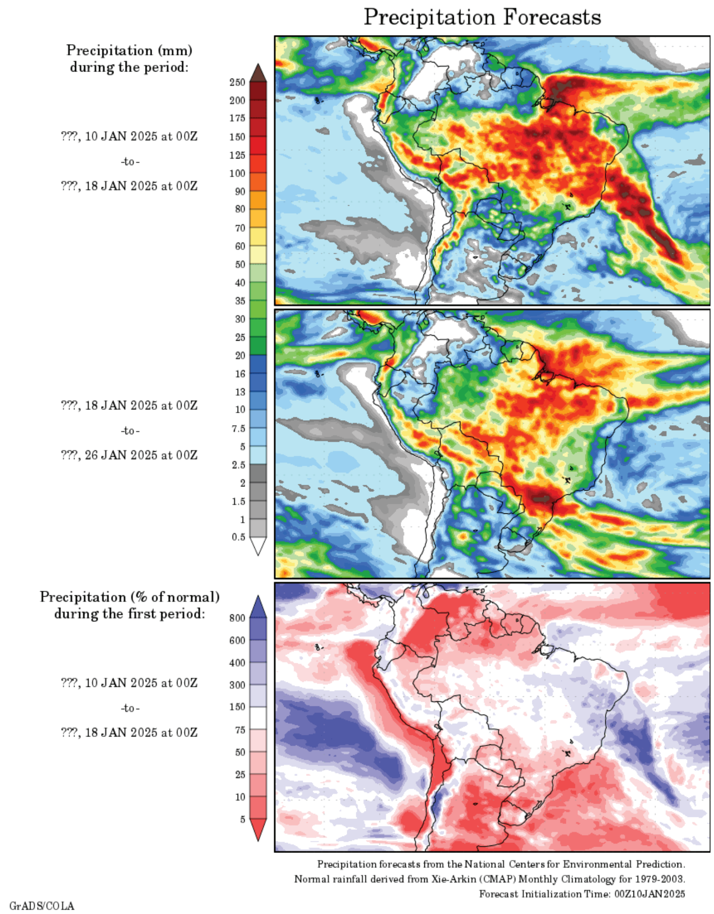


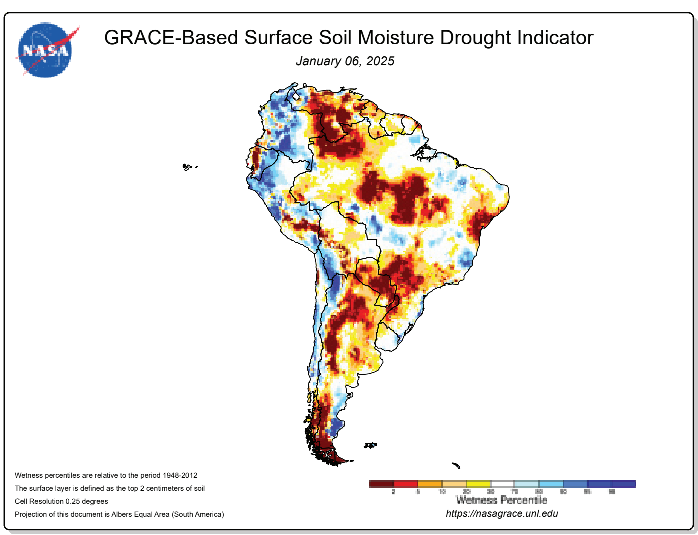
CORN OUTLOOK FOR Q1 2025: TIGHTER ENDING STOCKS BUT TRADE WAR THREAT LOOMS

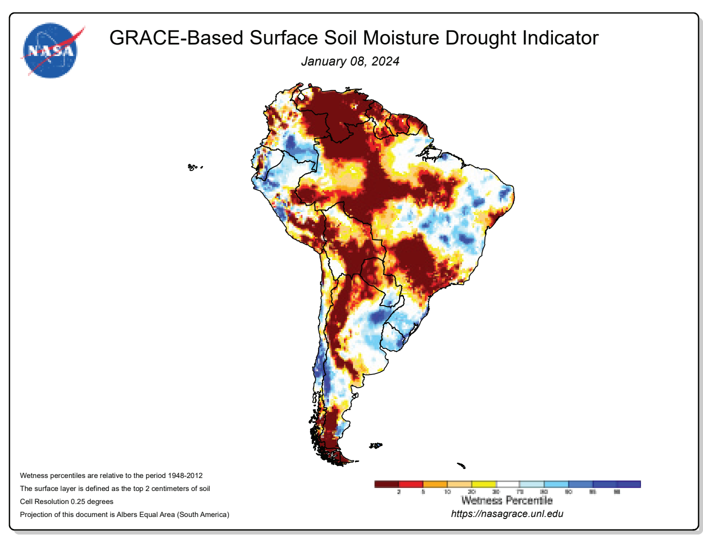
Continued from Previous Page











Continued on Next Page...

CORN OUTLOOK FOR Q1 2025: TIGHTER ENDING STOCKS BUT TRADE WAR THREAT LOOMS

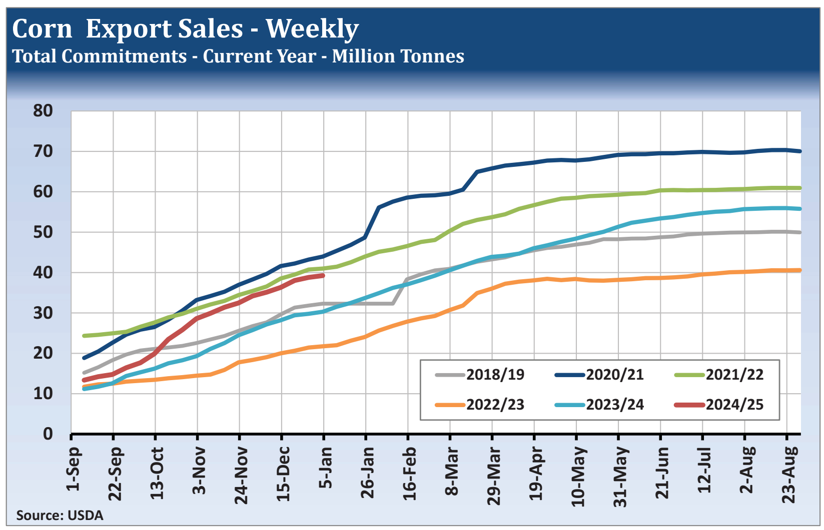
Continued from Previous Page

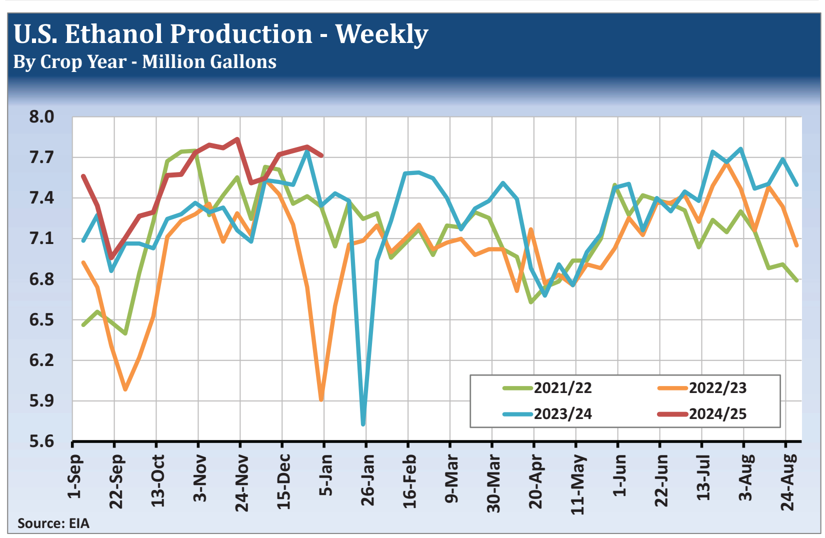
The US dollar has risen sharply compared to the Brazilian currency recently, and the strong uptrend may slow US exports. However, other than Ukraine, there are few alternatives for global corn buyers for the next few months. China's Ag Ministry slashed their corn import forecast for 2024/25 this past week to 9 million tonnes, down from 13 million forecasted last month and way down from last year's corn imports of 23.41 million. Luckily, Mexico has been a more significant buyer than usual of US corn due to the drought in the country's northern half, which has made up for some of the decline in China's purchases.

Given these factors, and in light of today's bullish report, US corn futures will likely trade between $4.40 to $4.90 per bushel during the first quarter of 2025, barring any major export disruptions. Beyond the 1st quarter, the US crop and Brazil's Safrinha crop weather will be the significant market drivers heading into late spring/summer. We prefer to position on the long side on a post-report pullback next week.

Suggested Trading Strategy

BUY March Corn futures on a pullback to 457. Risk 12 cents on the trade. Use an objective of 486.





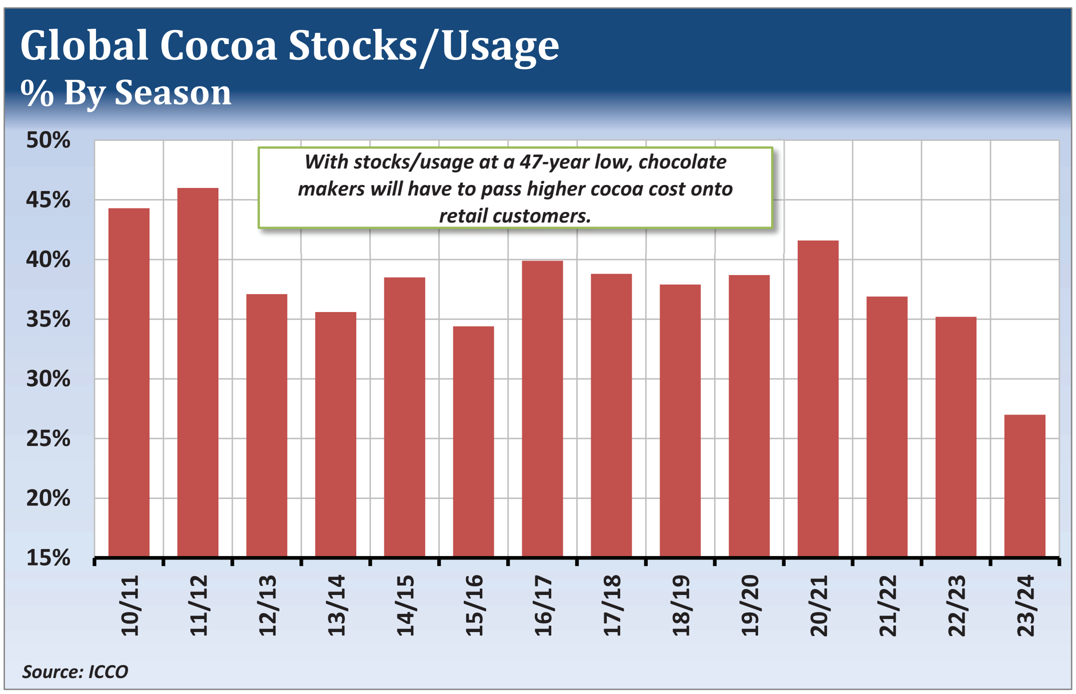
COCOA SHOWING SIGNS OF STILL BEING OVERVALUED

After falling far below their April highs, cocoa prices rose 87% in value from the end of October to their all-time high in mid-December. Given cocoa's massive trading range over the past month, this may have been difficult to gauge fully, but the market has seen a wide-sweeping coiling price pattern without it coming close to the December high. Cocoa is still overvalued at its current price levels and vulnerable to a sizable pullback.

West African supply issues largely fueled cocoa's massive 178% rally during 2024 as global 2023/24 production plunged to 4.382 million tonnes versus 5.044 million during 2022/23. There has been a clear improvement in West African cocoa output during the 2024/25 season. Ghana's official purchases through December 12th were 57% ahead of last season's pace, while Ivory Coast port arrivals were 27% ahead of last season's pace as of January 5th.

While the market has focused on supply issues, the demand outlook may drive cocoa prices further to the downside. Cocoa stock usage at the end of the 2023/24 season was 27%, the lowest reading since the 1976/77 season. Cocoa's stocks/usage have been at least 34% for every season this century, which indicates that cocoa processors have worked down their supply to satisfy some of their demand needs instead of purchasing new-crop beans at record price levels.

Drawing down their cocoa supply may not be viable for long, with stocks/usage at a 47-year low and prices too high to rebuild cocoa stocks. Hershey asked the CFTC to hold a futures position allowing them to acquire 90,000 tonnes of cocoa from ICE exchange stocks. A 9,000 contract position is far above the currently allowed limit for one firm that can take delivery from ICE exchange cocoa stocks.



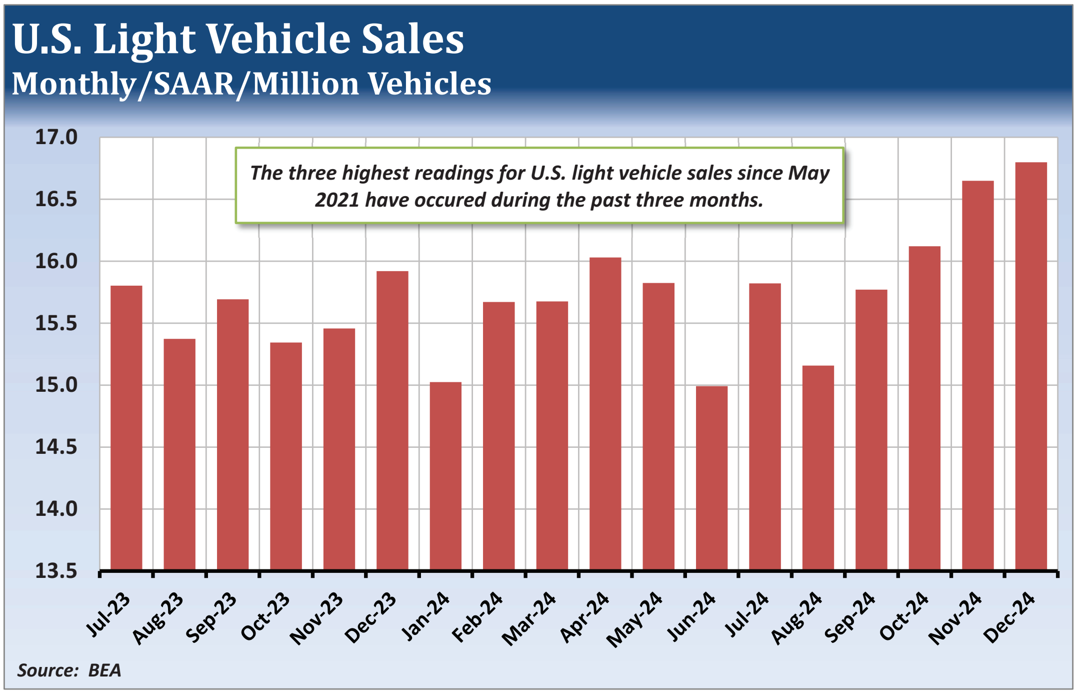
Although Hershey said they are "well covered" for their 2025 production needs, other major global chocolate makers likely have the same near-term supply situation. As a result, a larger portion of the 2023-2025 cocoa price increase may be passed along into retail chocolate prices this year. This could lead to consumers finally pulling back on chocolate purchases, which could put cocoa prices under sustained pressure.

Suggested Trading Strategy:

Option Spread: **BUY** an April Cocoa 9800/9200 bear put spread at 190 or better. Use an objective of 470 and risk the option spread to 110.

STRONG FINISH TO 2024 FOR US LIGHT VEHICLE SALES

December US light vehicle sales (which include passenger cars, pickup trucks, and SUVs) came in at a 16.798 million vehicle seasonally adjusted annualized rate (SAAR). While this was a modest increase from November's 16.649 million SAAR, it was the highest monthly reading for US light vehicle sales since May 2021. The three highest monthly SAAR readings for US light vehicle sales since May 2021 have occurred in October (a 16.120 million annualized rate), November, and December.



The breakdown of December vehicle sales reflects the shift away from passenger cars and towards "light trucks" (pickup trucks and SUVs). December passenger car sales came in at 240,200 (153,600 domestic and 86,600 foreign), while December light truck sales came in at 1,248,200 vehicles (997,300 domestic and 251,100 foreign). December domestic passenger car sales are the third lowest, while December domestic light truck sales are the second highest since BEA records began in 1967.

Most consumers use credit for vehicle purchases, so the start of FOMC rate cuts in September may have been a key factor with the fourth quarter surge in US light vehicle sales, even as longer-term yields continued to rise. If the Fed maintains a dovish stance on rates this year, it should help US light vehicle sales stay at strong levels. Higher monthly totals for vehicle sales should lend support to the palladium, platinum, copper, and energy markets, while also providing a boost to sentiment that will underpin US equity markets as well.

Top 12 Peanut Producers

Global peanut production is expected to reach 50.487 million tonnes during the 2024/25 season, which would be the third largest output total on record.

Courtesy of the USDA, these are the world's top 12 peanut producing nations (in tonnes):

China	19,000,000
India	7,100,000
Nigeria	4,300,000
United States	2,925,000
Burma	1,750,000
Senegal	1,700,000
Argentina	1,500,000
Tanzania	1,100,000
Guinea	1,000,000
Sudan	1,000,000
Brazil	900,000
Indonesia	840,000

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