LAKEFRONT FUTURES

THIS ISSUE

Near Term:	
Bullish:	Soybeans Corn
Bearish:	RBOB
Other:	
Stable U.S. Capacity Utilization A Positive Sign.	

MAJOR ECONOMIC EVENTS

December 8
- Chinese Trade Balance

December 9
- JOLTS Survey

December 10
- Chinese CPI/PPI
- Employment Cost Index
- BOC Meeting
- FOMC Meeting Results

December 11
- SNB Meeting
- International Trade Balance
- Jobless Claims

December 5, 2025

Economic Focus

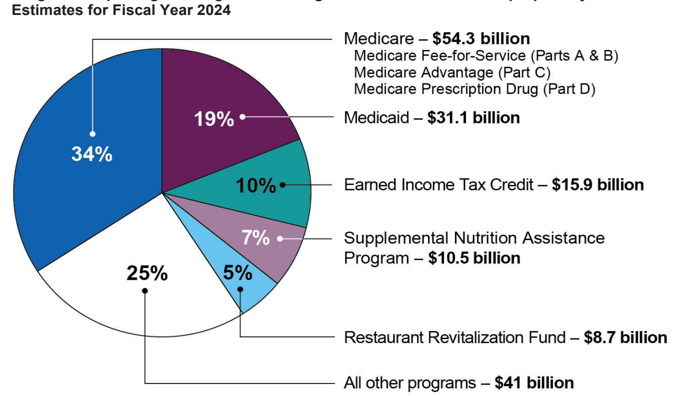
Even with mixed US scheduled data, the equity market suggests economic "Goldilocks" conditions with the world economy holding together, the Federal Reserve likely to cushion sentiment with an upcoming rate cut, and the potential for less concern over runaway US government debt. At first glance, the potential for widespread fraud in US government support programs would seem to damage the US financial standing. Uncovering fraud (potentially on the scale of hundreds of billions of dollars annually) could eventually become a major positive, as the threat of runaway deficits should begin to moderate (especially if a line-by-line spending audit is undertaken). Furthermore, the almost immediate elimination of $500 billion in spending through the mere enforcement of existing program rules should reduce the need to raise taxes, thereby reducing headwinds to the US economy. Historically, cutting US government spending has been extremely difficult. Nearly all spending-cut legislation over the past several decades has resulted in greater near-term spending that is expected to be paid for by future spending cuts, or overly optimistic economic growth projections that anticipate higher government revenues from taxes. Certainly, eliminating fraud across unemployment benefits, SNAP, Social Security, Medicaid, Medicare, and Electronic Benefit Transfers could mean savings to the US taxpayer that could easily surpass $1 trillion.

In fact, the Government Accountability Office in a past study (covering the 2018 to 2022 fiscal years) estimated government-wide fraud losses within a range of $233 billion and $521 billion. The GAO also estimated total improper payments since 2003 at a startling $2.8 trillion. In 2024, the GAO estimated fraud in Medicare at $54 billion, Medicaid at $31 billion, EBT at $16 billion, and SNAP at $11 billion. Unfortunately, as was seen during the launch of DOGE, there is likely to be significant political and judicial resistance. It is also possible that uncovering fraud will hit dollar-denominated financial assets, which at least would temporarily undermine the US credit rating. In fact, recent weakness in Treasuries (in the face of softer data) could be the result of renewed fear of a US credit downgrade, as the last US government credit rating warning raised concerns about "poor fiscal governance". In the end, the US equity market continues to look through the threat of slowing, and recent weakness in Treasuries may suggest the market is also looking through current signs of slowing toward better activity in 2026.

OVERVALUED/UNDERVALUED

Fundamental	Technical	COT
OVERVALUED		
Natural Gas	Copper	Gold
Euro	Silver	RBOB
Silver	Cattle	Silver
UNDERVALUED		
Japanese Yen	Bonds	Sugar
Dollar Index	Hogs	Cotton
Cocoa	Sugar	Cocoa

Programs Reporting the Largest Percentage of Government-Wide Improper Payment Estimates for Fiscal Year 2024



Source: GAO analysis of Office of Management and Budget PaymentAccuracy.gov data. | GAO-25-108172

OUR OPINION... MARKET BY MARKET

Market		*
Stocks	Upward tilt into Fed cut, but internals are lacking.	L
Bonds	Softer data offset by claims #'s; sub 116 test ahead.	S
Dollar	Oversold both Fundamentally & Technically.	L
Euro	Soft data discounted; ECB expected to follow Fed.	S
Gold	Corrective bounce sets up fresh short sale ahead.	S
Silver	Blow-off top in motion; buy bear put spreads.	S
Copper	Arbitrage with Shanghai to fuel more US gains.	L
Crude	Sell rally above $60; massive 2026 surplus looms.	S
Gasoline	Increasing refinery rate; look for break ahead.	S
Nat Gas	Factoring an extreme 2026 winter before January.	S
Soybeans	Near term weakness, break into long term support.	S
Corn	Export demand solid, seasonals up, buy pullbacks.	L
Wheat	No bull story, global supplies weigh, more chop.	S
Hogs	Spain ASF may shift exports to US, more upside.	L
L Cattle	Sharp rally nearing resistance, pullback due.	S
Sugar	Brazil CS mills shift crushing towards ethanol.	L
Coffee	Unable to retest Q4 highs, vulnerable to pullback.	S
Cocoa	ICCO cuts 24/25 global production by 150K tonnes.	L
Cotton	Dollar still too strong to improve 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 **Feb Silver $53.00/$51.20 put spread @ 0.35**
Buy **Feb ULSD $2.40/$2.59 bull call @ 0.0390**
Buy **Jan Bond 115.50 call @ 0-55**

Overvalued

Sell **Jan Natural Gas $6.20 call @ 0.190***
Sell **Jan Copper $5.70 call @ 0.0700* (on a rally)**
Sell **Jan Gold $4,450 call @ 24.50* (on a rally)**

Trend Reversals

Buy **Feb Silver $49.50 put @ 0.40**
Buy **Feb Copper $5.15/$4.95 bear put @ 0.0400**
Buy **Feb Natural Gas $4.70/$4.20 bear put @ 0.190**

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
Emini S&P 10/17/25	Long a December S&P 6,800/7,025 bull call spread at 70.00.	Use an objective of 150.00, and risk the strategy to an option spread price of 32.00.
Gold 10/31/25	Long a February Gold $3,800/$3,625 bear put spread at 19.20.	**HIT PROTECTIVE STOP at 8.50 for a loss of 10.70 on the strategy.**
Bonds 11/7/25	Long a January Bond 119-00 call at 0-46.	**HIT PROTECTIVE STOP at 0-22 for a loss of 0-24 on the strategy.**
ULSD 11/14/25	Long a February ULSD $2.50 call at 0.1112. **Previously Short a January ULSD $2.50 at 0.1010 that was BOUGHT BACK at 0.0384.**	Hold the long February call. Risk the option strategy to -0.0150, and look for guidance in upcoming issues.
Emini S&P 11/21/25	BUY a March S&P 6,900/7,100 bull call spread at 40.00	**CANCEL STRATEGY.**

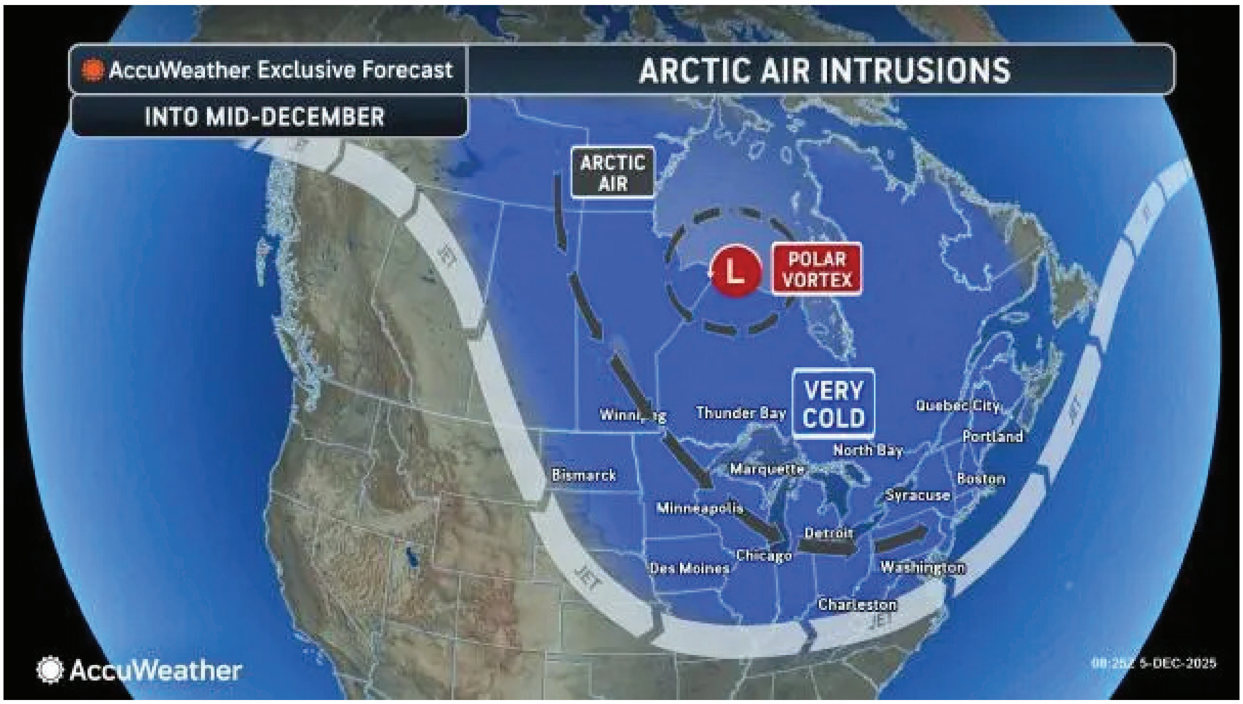
Trade recommendations are only suggestions. This is not to be construed as a trading system or tracking account. No representation is being made that any account will or is likely to achieve profits or losses to those shown. By reading or following this report, you acknowledge and accept that all trading 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.

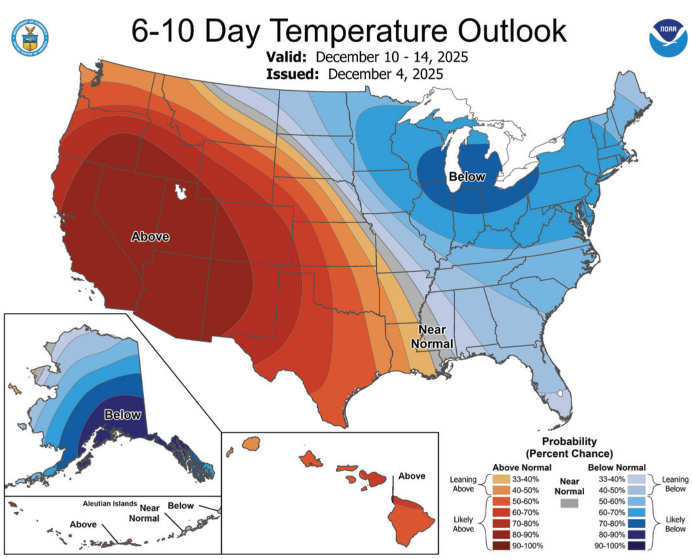
EARLY POLAR VORTEX SIGNALS HARSH WINTER?

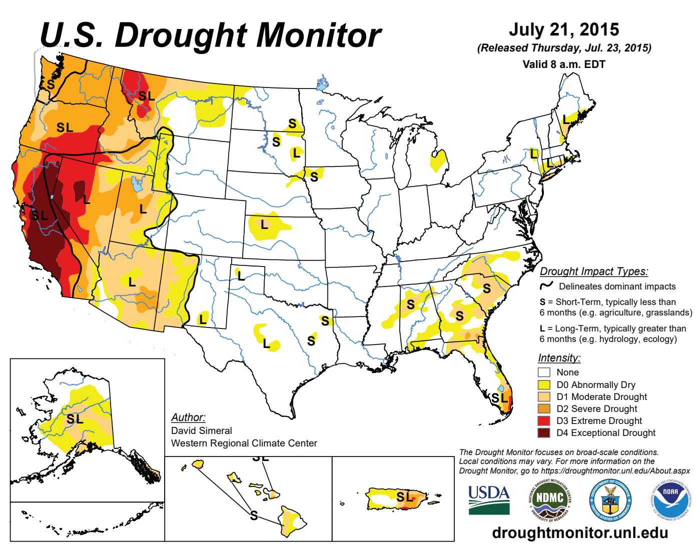
While long-term weather forecasting is typically less accurate than short-term, many meteorologists are predicting that the 2025/2026 winter could be extremely cold and bring significant precipitation. Apparently, European and US meteorologists are concerned that early winter changes in the polar vortex are setting the stage for massive Arctic air intrusions capable of reaching into the lower 48 states and deep into Europe.

The early season polar vortex plunge into the US (as seen in the accompanying chart) is thought to be an early signal of winter trend, with some meteorologists predicting a winter like 2013/2014, which featured the third-heaviest winter snow totals ever! Other significant polar vortex intrusions occurred in 1977, 1982, 1985, and 1989. While significant winter precipitation could further replenish soil moisture, early and sustained cold can lead to heavy snowpack and spring flooding. It is also possible that extremely cold temperatures could limit snowfall. However, following the 2013/2014 polar vortex events, US subsoil moisture increases almost completely eradicated drought and improved spring crop production potential, pressuring futures prices.

With corn prices falling from $8.00 in 2013 down to $3.19 in 2014, producers should formulate marketing plans early for 2026, although admittedly, prices have much less downside potential from current levels. Indeed, rare early polar vortex intrusions aren't always indicative of a sustained winter "pattern", but some meteorologists indicate that this year's early polar vortex intrusion is extremely unusual and bears watching closely!

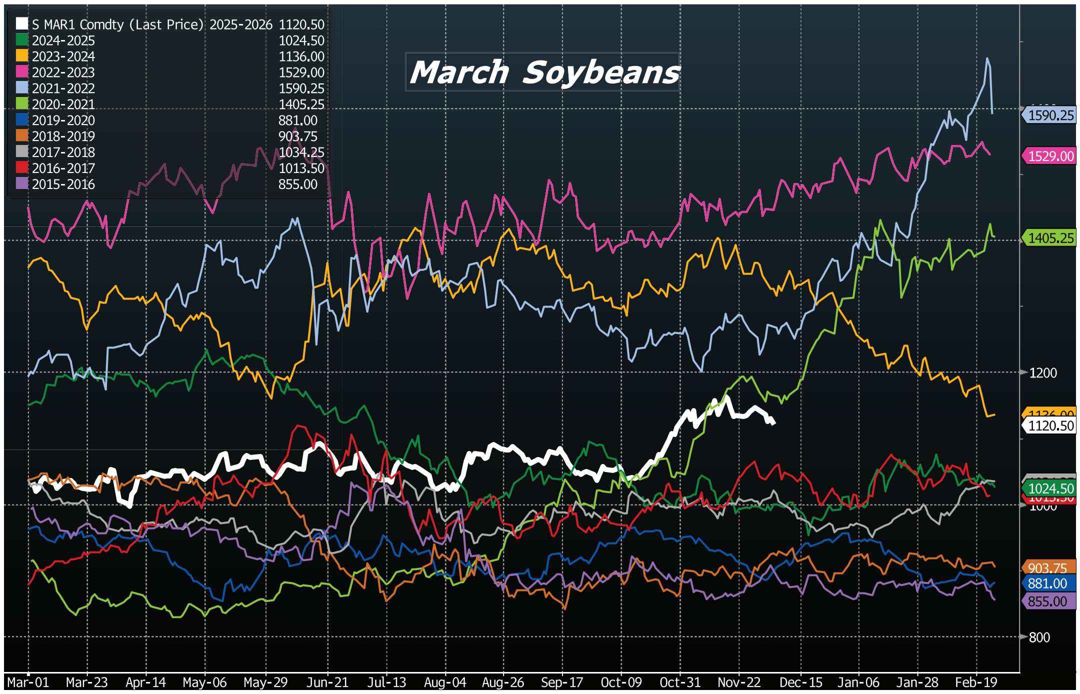


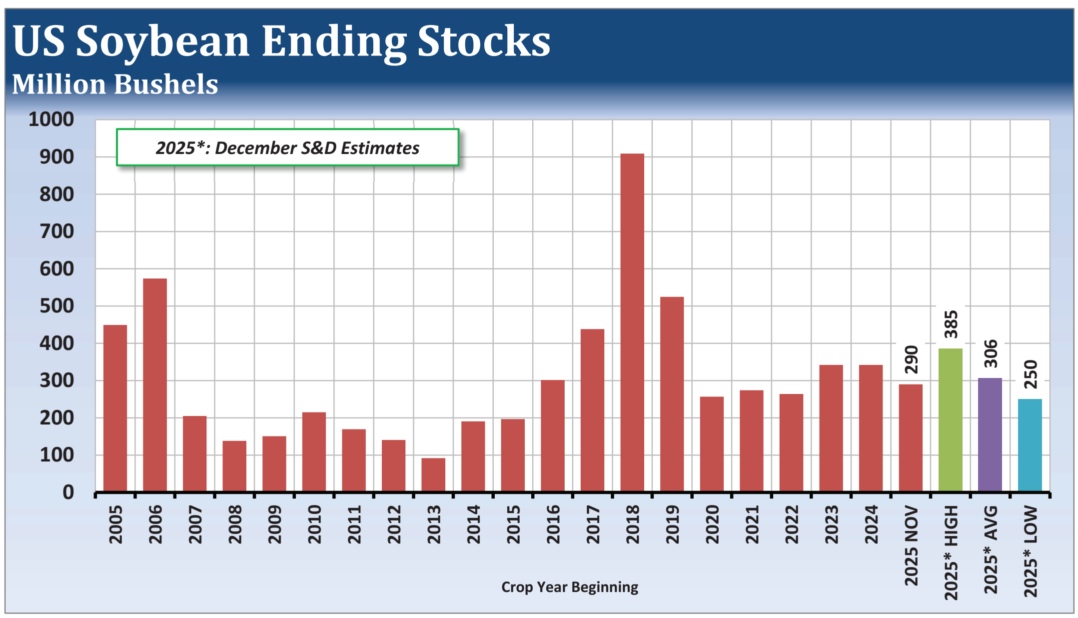




SOYBEANS: CHINA'S CAUTIOUS BUYING PUSHING PRICES CLOSER TO LONG-TERM SUPPORT

Soybean futures remain "capped" as China continues its slow, selective purchasing strategy, avoiding the kind of aggressive buying that could push US prices sharply higher. Clearly, China is actively managing price risk, stretching out its buying window while relying on comfortable short-term coverage and competitive South American offers. However, longer-term technicals suggest strong support on a further pullback, and traders may consider the next break a technical buying opportunity. Treasury Secretary Bessent extended the timeline for China to comply with its initial purchase commitment of 12 million tonnes through the end of February 2026.





South American weather, while not perfect, has failed to provide a compelling bullish catalyst. Brazil's rainfall distribution has been uneven, but it has not been severe enough to significantly threaten yield potential. Argentina's weather outlook has been generally constructive as well. However, private forecasters point to dryness risks for later this month and into

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SOYBEANS: CHINA'S CAUTIOUS BUYING PUSHING PRICES CLOSER TO LONG-TERM SUPPORT

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January for both Argentina and southern Brazil, which could inject a weather premium if realized. South American production estimates could quickly change if upcoming precipitation underperforms. Next Tuesday's December WASDE is not expected to make any changes to yield or production, and US ending stocks are expected to rise slightly. The EU's decision to delay implementation of the EUDR deforestation rules by one year has pressured meal prices, removing a key pillar of support for beans last week. Nonetheless, weekly and monthly meal charts remain positive.

Overall, the soybean market has underlying support from strong domestic crush margins, improved China relations, and long-term chart breakouts back in October. However, the combination of China's cautious buying, current benign South American weather, and limited WASDE expectations suggests the potential for a near-term break. We prefer to look for a pullback to longer-term technical support in March futures near $11.00 before probing the long side utilizing bullish option strategies.

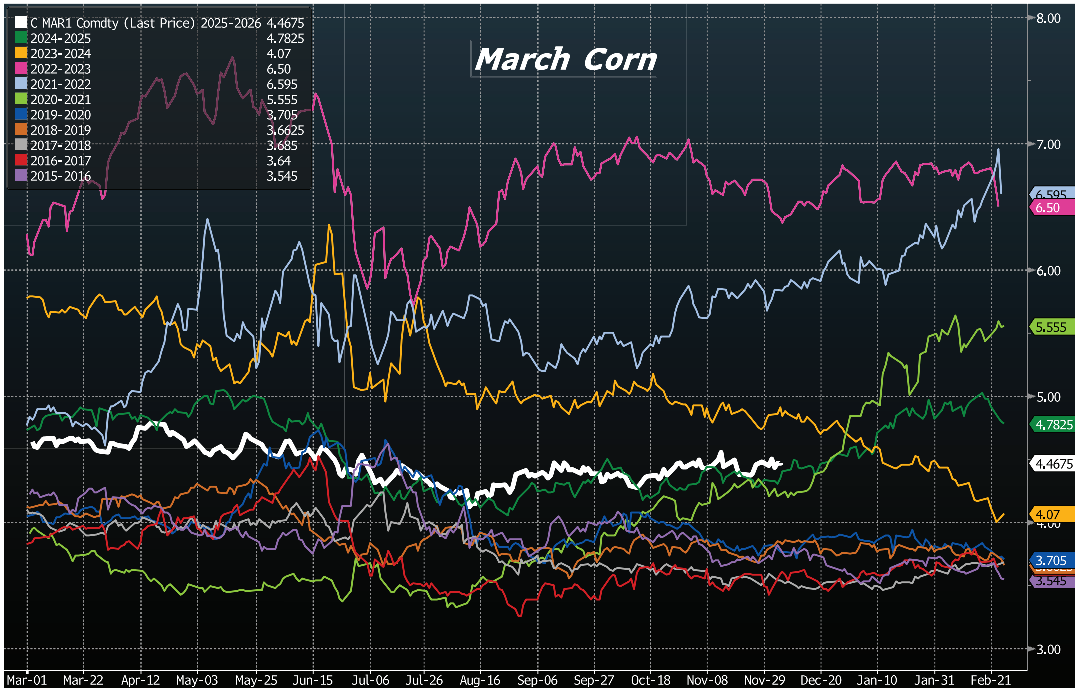
Suggested Trading Strategy

Option Trade: On a pullback, **BUY** 1 March Bean 1100 call/**SELL** 1 March Bean 1070 Put for a net cost of 21 cents. Risk $750 on the entire position. Take profits if March futures rally to 1162.

CORN: EXPORTS, ETHANOL PRODUCTION & SEASONAL TAILWINDS SUPPORT

Corn futures continue to trade in a tight range, but the underlying tone remains constructive thanks to a series of supportive demand-side developments. As a result, traders may consider that a further pullback could provide a chance to position on the long side. The export program is exceptionally strong for this time of year, with US shipments consistently exceeding last year's pace and the USDA's projected pace for this season. Export competition remains limited as Ukrainian corn availability is constrained by ongoing Black Sea port disruptions and locomotive shortages that are slowing rail logistics to Europe. This has kept US corn competitive in key global destinations. The December WASDE on Dec 9th is not expected to alter yield or production, while US ending stocks are anticipated to drop only slightly.

Domestically, the corn market is drawing support from record weekly US ethanol production, which has kept grind demand elevated and reinforced expectations for firm usage into early 2026. Ethanol margins have been resilient, and strong plant utilization has provided a steady floor under front-month corn futures.



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CORN: STRONG EXPORTS, RECORD ETHANOL PRODUCTION, AND SEASONAL TAILWINDS UNDERPIN MARKET

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Seasonally, corn tends to perform well into the middle of the first quarter, especially when exports are strong, and South American production risk lingers. Brazil's soybean planting delays raise the possibility of late Safrinha corn planting next year, potentially materially increasing yield risk and pushing pollination into the dry season.

Macro conditions also favor a firmer tone. The Bloomberg Commodity Index recently posted a bullish breakout on the weekly chart, hinting at improving fund appetite for a broad swath of commodities. While corn remains range-bound for now, the underlying structure is turning increasingly positive. Strong exports, record ethanol production, constrained global competition, bullish seasonality, and macro tailwinds position the market for a potential upside resolution later this month and into the first quarter of 2026.

Suggested Trade Strategy

Option Trade: **SELL** 1 March Corn 450 call option and **BUY** 3 March 470 calls for a net cost of 1 cent. Risk $600 on the entire position. Take profits on the entire position if March futures reach 491.

RBOB VULNERABLE TO NEAR-TERM PULLBACK

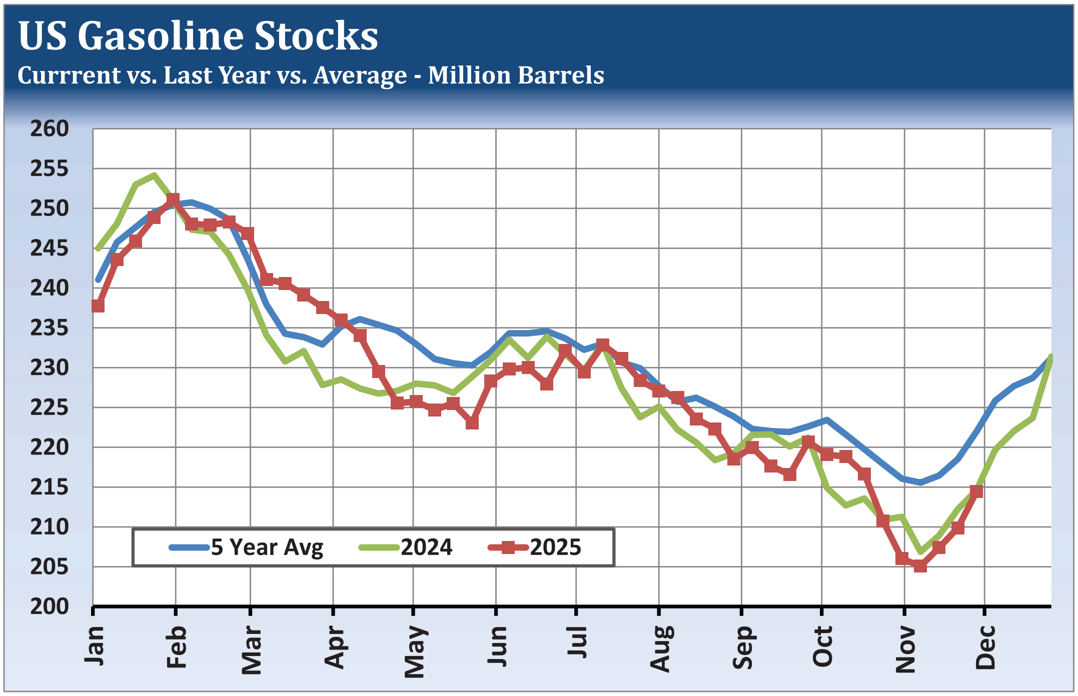
The prospect of a sizable global crude oil supply surplus next year continues to pressure the petroleum complex markets. RBOB has been unable to sustain a recovery move since reaching a 3-month high in early November, as Russia's current gasoline export ban has deflated support from rising Black Sea tensions. With a bearish supply/demand outlook going into 2026, RBOB prices could see a sizable downside move over the final weeks of December.

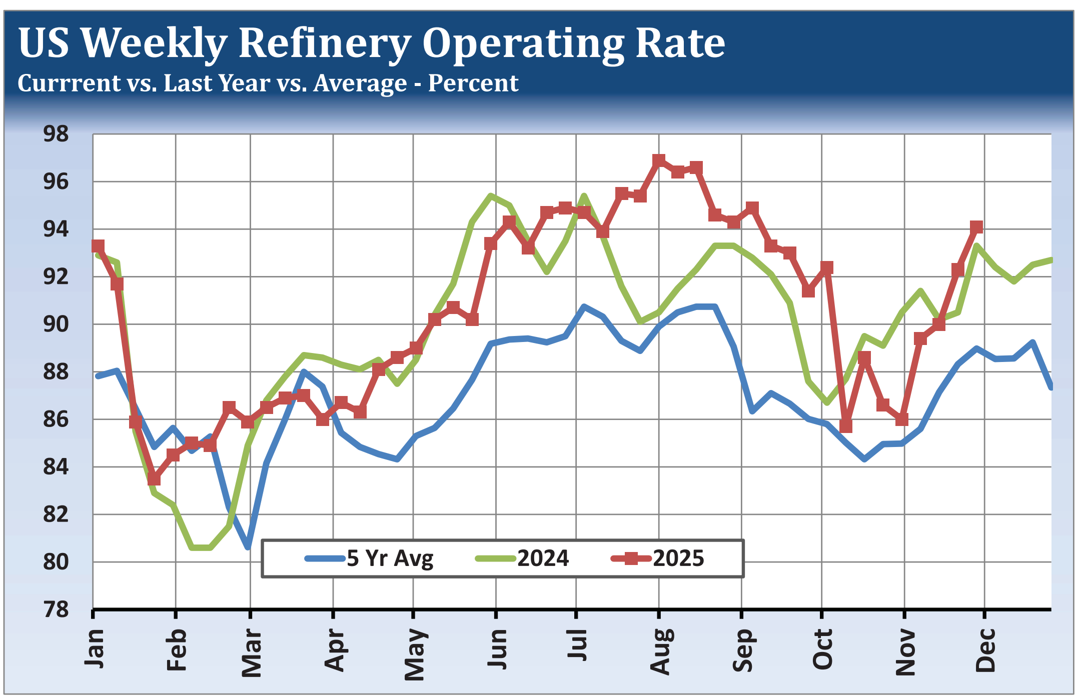
Suggested Trading Strategy

Option Spread: BUY a February RBOB $1.83/$1.75 bear put spread at 0.0320 or better. Use an objective of 0.0740, and risk the option spread premium to 0.0140.

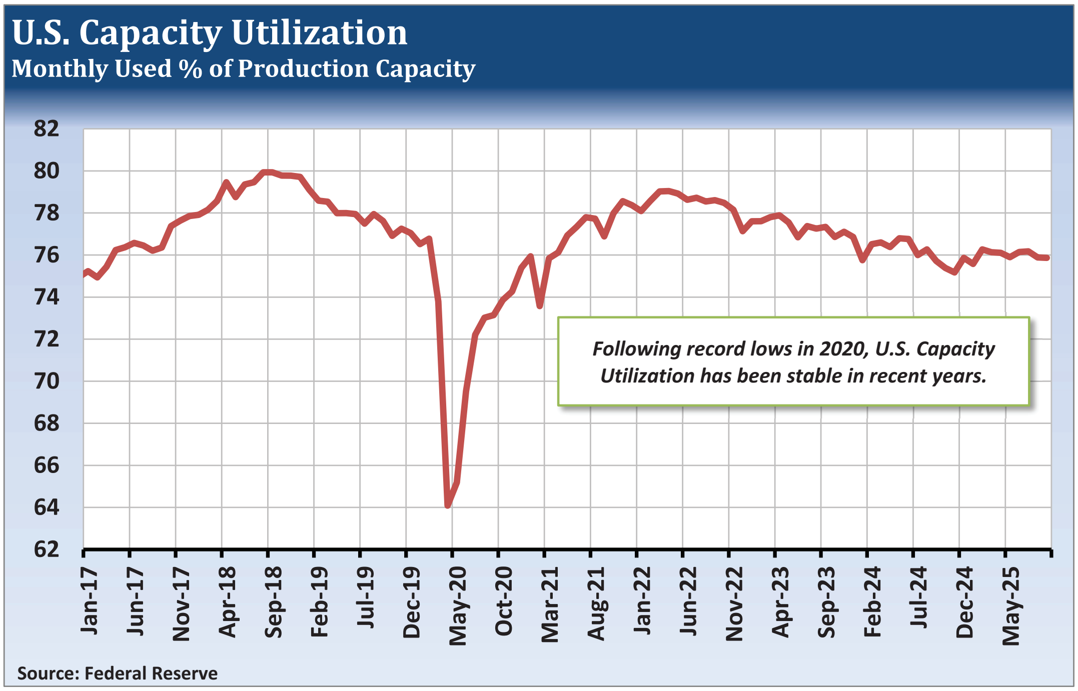
A significant source of pressure has been lukewarm US driving demand. The American Automobile Association forecast record-high road travel during this year's Thanksgiving holiday period, with 73 million people expected to travel 50 miles or more from their homes, a 1.8% increase over 2024 and a second straight year that exceeded the pre-COVID 2019 total. Despite the rise in holiday road travel, average US retail prices for regular gasoline fell below $3 per gallon for the first time since May 2021.

US gasoline stocks have risen 9.358 million barrels over the past three weeks, with 4.518 million of that occurring in the latest EIA Weekly Petroleum Supply report. Over the same period, US refinery utilization climbed from 89.4% to 94.1%, a 12-week high. With US refineries ramping up their operations, gasoline supply is likely to increase through the rest of this year, which will pressure both retail gasoline prices and RBOB futures prices.





STABLE US CAPACITY UTILIZATION A POSITIVE SIGN



Capacity utilization measures the percentage of US production capacity that is used during a given period. While monthly changes are what the markets watch, the relative stability of capacity utilization is more important. September capacity utilization was 75.9%, unchanged from August. While the lowest monthly reading since January, it was within a range that started in 2023.

Since the start of 2023, monthly capacity utilization readings have ranged from 75.2% to 77.9%. Generally, a small range signals US manufacturing companies are confident in their current production scale and do not plan to reduce capacity, which would result in job losses and weaken the economy.

As the US economy has transitioned from a largely manufacturing-based economy, capacity utilization readings have fallen well below levels seen in the 20th century. There may be disappointment that the start of import tariffs in April has not resulted in an uptick in capacity utilization as manufacturing is brought "back home" to the US. Keep in mind that ramping up production capacity is a longer-term process, particularly if existing facilities need to be expanded or new facilities need to be built.

The highest 21st-century reading was 82.4% in April and May of 2000, with the last reading above 80% in April 2008, during the early stages of the Great Financial Crisis. By June 2009, capacity utilization fell to 66.5%, and it took until December 2010 for it to climb back above 75%. The monthly readings reached lows of 63.4% in April 2020 and 64.7% in May 2020 (early in the COVID pandemic), the two lowest readings since the Federal Reserve began measuring the data in 1967.

Top 12 Ammonia Producers

With the US traditionally one of the world's largest corn-producing nations, it is little surprise that we are also one of the largest producers of ammonia for fertilizer use.

Courtesy of the USGS, here are the 12 largest producers of ammonia during 2024 (in tonnes):

China	47,000,000
India	15,000,000
USA	14,000,000
Russia	14,000,000
Indonesia	6,000,000
Saudi Arabia	5,400,000
Egypt	5,000,000
Iran	4,200,000
Canada	3,600,000
Pakistan	3,500,000
Trinidad & Tobago	3,200,000
Qatar	3,100,000

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COMMITMENTS OF TRADERS

Data As of October 28, 2025
Non-Commercial & Non-Reportable
Combined Futures & Options

Market	Net Position	Net Change	4-Wk Net Change	52-Wk Ranking
Grains				
CBOT Grains	701	207,593	244,363	39
Corn	-80,491	81,644	87,005	25
KC Wheat	-30,882	15,916	13,304	32
Minn Wheat	-27,463	774	-1,303	5
Rice	-5,130	464	119	6
Soybeans	137,652	98,749	138,826	52
Soyoil	14,914	-3,469	-11,087	9
Soymeal	-399	42,219	65,329	50
Wheat	-56,460	27,200	18,532	50
Livestock				
Cattle	102,581	-15,450	-5,877	6
Feeder Cattle	6,964	-3,745	-3,876	10
Hogs	109,067	-17,016	-32,193	23
Metals				
Copper	63,107	9,139	11,189	52
Gold	216,750	16,406	-41,060	7
Platinum	25,021	2,216	2,207	29
Silver	53,518	-1,875	-13,769	4
Softs				
Cocoa	4,825	3,186	-1,466	3
Coffee	52,666	-1,965	4,744	29
Cotton	-55,929	8,265	3,898	6
Milk	-9,506	917	-295	13
OJ	-664	-194	-1,857	1
Sugar	-163,021	-18,644	-64,149	1
Currencies				
Canadian	-162,357	-5,231	-11,642	14
Dollar	-15,957	-1,389	-2,792	1
Euro	138,209	-356	-19,262	34
Energies				
Crude Oil	129,212	19,950	-14,847	3
Gas (RBOB)	57,827	17,202	10,935	35
Heating Oil	46,142	14,631	8,187	46
Natural Gas	-139,194	11,623	-4,261	8
Financials				
Bonds	169,043	6,627	71,213	52
E-Mini S&P	-52,273	5,188	-1,336	22
Dow Jones $5	-7,300	2,060	3,891	6
T-Notes	-682,940	-102,047	-61,837	26
	Extreme	Ranking 1 = Shortest Short		
	5% of Extreme	52 = Longest Long		