

LAKEFRONT

FUTURES

December 19, 2025

THIS ISSUE

Near Term:

Bullish: Sugar

Spreads:

KC Wheat/Chicago Wheat

Long Term:

Bullish: Natural Gas

Other:

Cushing Crude Oil Stocks Close to Operational Low

Next Issue

will be released
December 31, 2025

MAJOR ECONOMIC EVENTS

December 22

- UK GDP

December 23

- Gross Domestic Product
- Durable Goods
- Industrial Production
- Consumer Confidence

December 24

- Jobless Claims

December 25

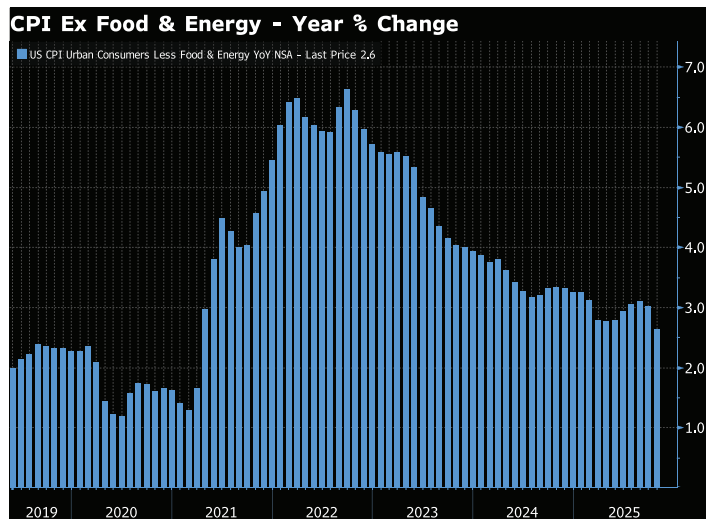
- Merry Christmas!

Economic Focus

In addition to volatile year-end/holiday market action, there is a lack of definitive consensus on the direction of the US economy, minimal 26% odds of a US January 28th rate cut, a looming deadline battle over US medical insurance subsidies, and the constant shifting of prospects for peace between Russia and Ukraine. Fortunately for consumers, energy prices continue to slide, some US economic data, such as retail sales, remain positive, and there are signs that Washington is at least aware of severe public concerns about health care costs and insurance premiums. While the GOP has embarked on efforts to “fix” the US healthcare problem, all those who have tried have failed. However, we see an increasing likelihood of temporary US government assistance, especially if significant fraud across all federal and state government programs proves widespread. It is a sad “State of Affairs” for hoping to see \$1 trillion in fraud and waste at the federal government level, as shutting off that spending could result in those funds being redirected toward the healthcare debacle. On the other hand, historical behavior in Washington is to spend windfalls and not reduce the deficit. Fortunately, it appears that the Federal Reserve will see a dovish shift in its composition in 2026, and that, combined with

recent year-over-year softening of core CPI (excluding food and energy) and signs of a breakdown in the US job sector, could result in an increase in the magnitude of FOMC rate cuts next year. Unfortunately for investors, holiday shopping season optimism has been undermined by the lack of a dominating investment sector. Obviously, AI/data center issues will return as a leadership sector, but there is too much

geopolitical, macroeconomic, monetary policy, and fiscal policy uncertainty for stocks to rally aggressively. Furthermore, “big picture” uncertainties have left many physical commodities with a negative demand outlook. On the other hand, fundamental negatives facing the trade are solvable, and end-of-year price declines should offer investors and traders an opportunity to “buy cheap”.



OVERVALUED/UNDERVALUED

Fundamental	Technical	COT
OVERVALUED		
Dollar Index	Silver	Gold
Cattle	Gold	Copper
Cocoa	Copper	Silver
UNDERVALUED		
Natural Gas	KC Wheat	Sugar
ULSD	Soybean Meal	Minn Wheat
Bonds	Soybeans	Cotton

OUR OPINION... MARKET BY MARKET

Market		*
Stocks	Markets lack leadership w/little hope of rate cut.	S
Bonds	Failure to launch higher from soft jobs is bearish.	S
Dollar	Recent rally is temporary unless US data improves.	S
Euro	Winning by default to resume.	L
Gold	Bullish sentiment entrenched; lofty 2026 forecasts.	L
Silver	Bullish momentum showing little sign of abating.	L
Copper	Uptrend to extend despite increase in China stocks.	L
Crude	Overwhelming supply & Peace hopes; more down.	S
Gasoline	Following crude lower with US supply building.	S
Nat Gas	Oversold reaction to temporary US warmth.	L
Soybeans	Very oversold but support elusive, Brazil improves.	S
Corn	Demand mkt reinforced by China purchase rumors.	L
Wheat	Bearish news priced in, KC leads short covering.	L
Hogs	Consolidation; strong weekly close points higher.	L
L Cattle	Bullish technicals, strong cash points higher.	L
Sugar	This season's global consumption at a record high.	L
Coffee	Prices still too high to improve demand.	S
Cocoa	Unable to sustain Q4 recovery moves.	S
Cotton	Low prices should improve 2026 export outlook.	L

* 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 Copper \$5.47/\$5.33 bear put @ 0.0590

Buy Mar KC Wheat 515/555 bull call @ 10

Buy Mar Sugar 15.00/17.00 bull call @ 30

Overvalued

Sell Feb Natural Gas \$3.40 put @ 0.250*

Sell Feb Soybean 1040 put @ 17*

Sell Feb ULSD \$2.00 put @ 0.0450*

Trend Reversals

Buy Feb Japanese Yen 64.00 call @ 0.0076

Buy Feb Natural Gas \$3.80 call @ 0.250

Buy Feb ULSD \$2.25 call @ 0.0300

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

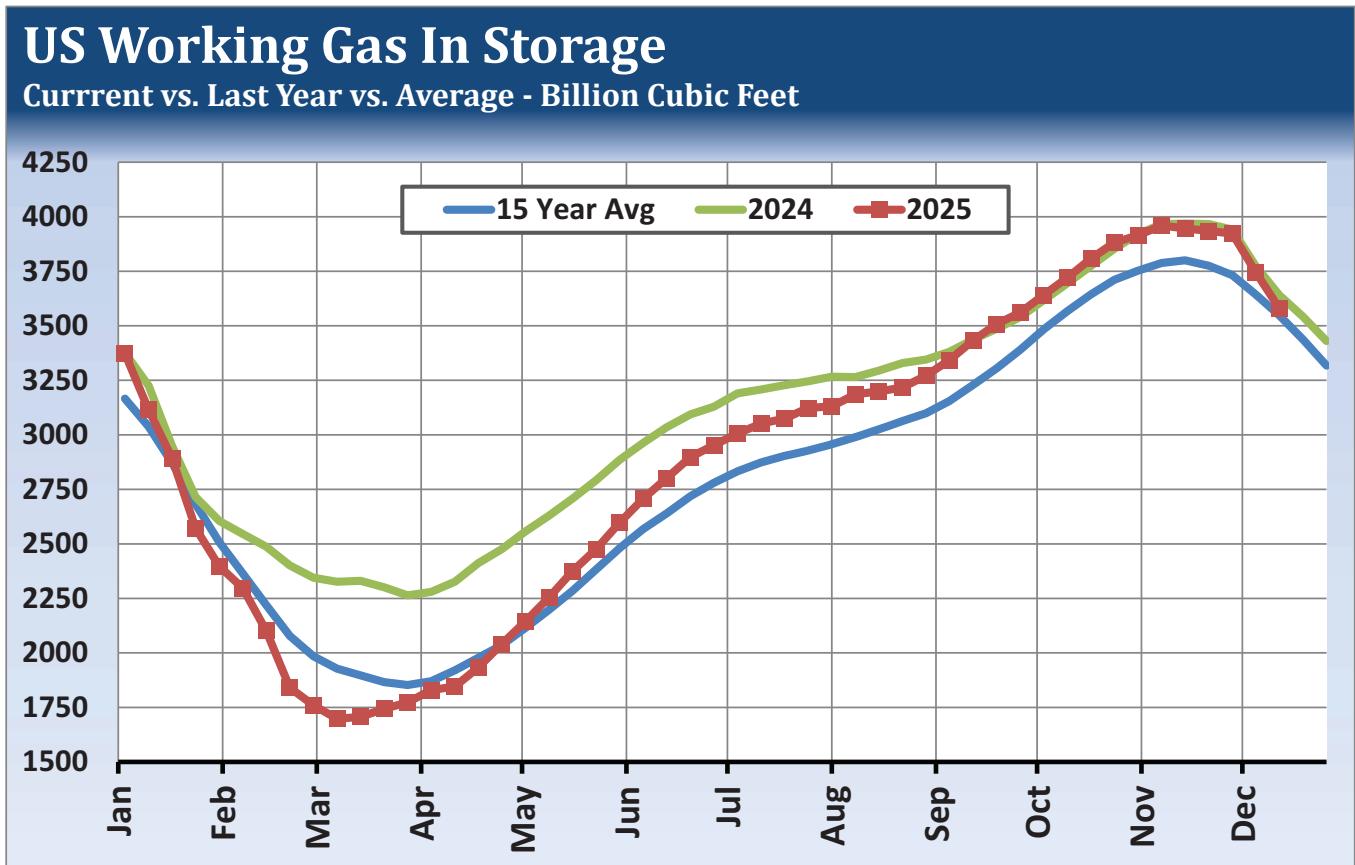
Original Trade Date	Trade	Action
Emini S&P 10/17/25	Long a December S&P 6,800/7,025 bull call spread at 70.00.	EXITED bull call spread at 79.25 for a profit of 9.25 on the strategy.
ULSD 12/12/25	BOUGHT a March ULSD \$2.20/\$2.33 bull call spread at 0.0312.	Use an objective of 0.0790, and risk the trade to 0.0175.
Natural Gas 12/19/25	BUY a March Natural Gas \$3.60 call for 0.180.	Use an objective of 0.560, and risk the trade to 0.290.
Natural Gas 12/19/25	BUY 2 March Natural Gas \$3.90 calls for 0.110.	Use an objective of 0.450, and risk the position to 0.050.

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.

NATURAL GAS READY FOR MOVE HIGHER

The late November/early December rally in natural gas seemingly priced in the potential for a sustained breakdown/southern incursion of the Polar Vortex. The natural gas market has not only extracted that premium but has also deflated prices to a level commensurate with a normal winter temperature scenario, while factoring in an extension of what has been a dramatic oversupply situation since September 2022. Although weather forecasts beyond two weeks are unreliable, meteorologists & scientists continue to see the Polar Vortex condition as historically extreme. Obviously, a mid-December through year-end warm-up in the US and an Easterly shift in the center of the Polar Vortex over Greenland provided cover for sellers from the December 5th price peak. However, a mere early-season presence of a massive, intense Polar Vortex keeps the prospect of a historically cold winter in play. Clearly, the location of the Polar Vortex and (more importantly) the location of breakdowns/southern incursions of extremely cold Arctic air at lower latitudes determines the behavior of natural gas and heating oil prices.

While upcoming EIA weekly natural gas storage reports are likely to show less dramatic draws than the 177 and 167 billion cubic feet (bcf) readings during the first two weeks of December, the stage is set for a very long-awaited shift from an entrenched excess supply situation to a tightening supply situation. In our opinion, the best indicator of a return to a tightening supply environment is the potential, over the coming three weeks, to see weekly EIA natural gas inventory in storage fall into a deficit relative to the five-year average. Furthermore, seeing deficit inventory readings relative to the last five years very early in the winter heating season could result in a major shift in trade sentiment toward natural gas. Last year, weekly storage numbers remained above the five-year average throughout the year, with some weekly surpluses surpassing 6%. In contrast, the latest weekly storage surplus reading to the five-year average was only 0.9%.



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NATURAL GAS READY FOR MOVE HIGHER

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While the demand outlook is heavily contingent on upcoming US temperatures, US exports continue to hover near capacity, while there has been (and will be) some minimal capacity expansion settling in after years of regulatory headwinds. On the other hand, the explosive demand for data center power is likely to drive up natural gas demand, despite long lead times to acquire new generators. From a technical perspective, natural gas is extremely oversold (especially with the brunt of winter ahead) as the slide to 3 1/2-year lows last week should have significantly pumped-up Managed Money short positioning, which at the beginning of December was nearly 40,000 contracts.

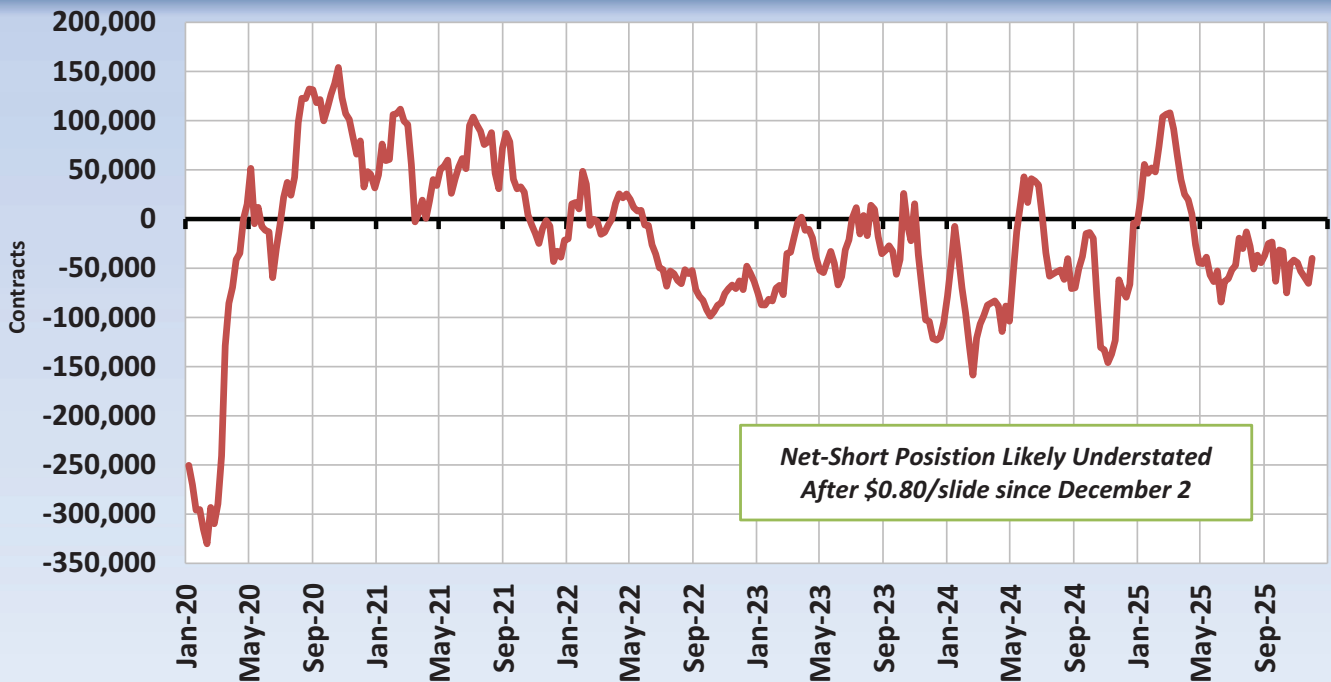
With the post-EIA report washout of \$0.80, Managed Money traders probably hold the largest net short in 13 months! From a contrarian standpoint, we think a low is looming as small speculators and funds

continue to maintain large net short positioning. While small traders and funds held a net short of 113,000 contracts as of December 2nd, seeing prices \$0.80 below the level at which the last positioning report was measured suggests speculators are expanding their bearishness at the wrong place and time!

Suggested Long Term Trading Strategies

- 1) **BUY** a March Natural Gas \$3.60 call for 0.180 with an objective of 0.560. Risk the trade to 0.290.
- 2) **BUY** 2 March Natural Gas \$3.90 calls for 0.110 with an objective of 0.450. Risk the position to 0.050.

Natural Gas - Managed Money Net Position COT - Futures & Options - Net Position

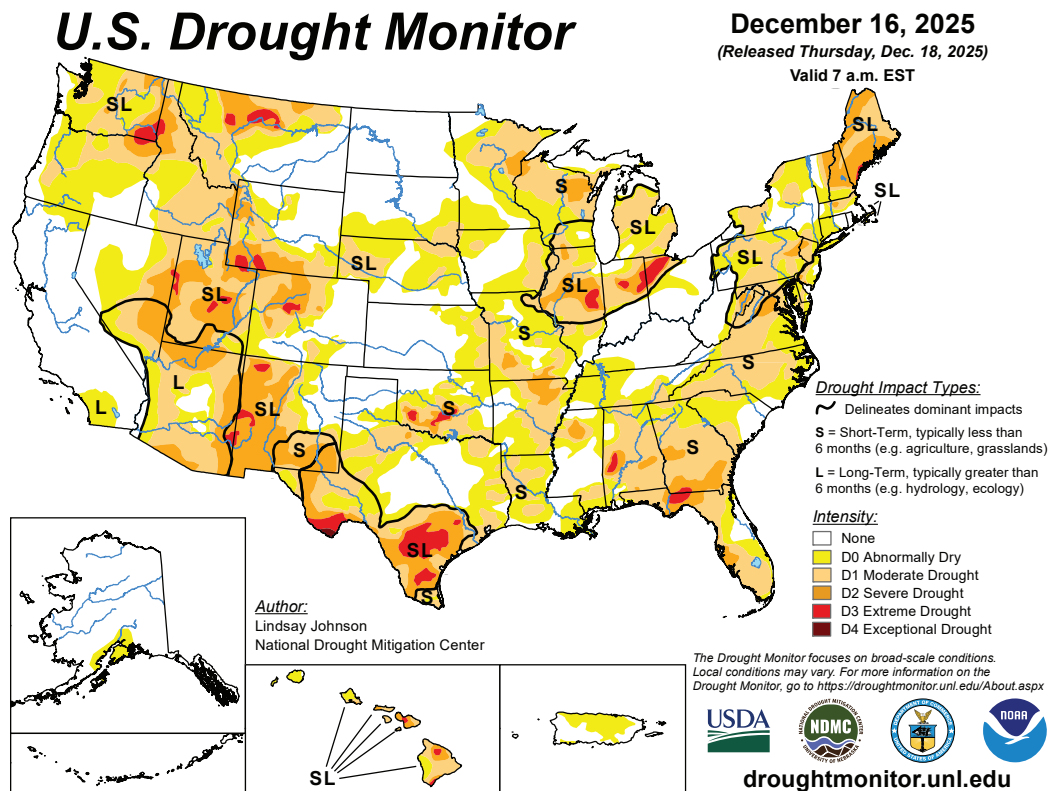


KC WHEAT POISED TO OUTPERFORM CHICAGO

The seasonal window from mid-December through early February historically favors Kansas City hard red winter (HRW) wheat gaining on Chicago soft red winter (SRW), and the fundamental backdrop this year appears aligned with that tendency. With the KC-Chicago March spread sitting at historically cheap price levels, the case for being long KC vs. short Chicago is growing stronger.

The most compelling driver for the spread is the global wheat trade landscape. Cheap Argentine feed wheat is keeping a lid on Chicago's relative value and is expected to compete aggressively with US SRW in several export channels. There was evidence of this several days ago, by the cancellation of a Chinese purchase of US wheat in favor of Argentine wheat. This contrasts with HRW, where higher protein content positions KC wheat more favorably for millers who may need to blend higher protein levels to meet specifications. If end-users seek quality enhancement, KC wheat tends to benefit more directly.

Another factor is the emerging dryness across the Southern Plains, where the 2025/26 HRW crop is developing ahead of winter dormancy. While current drought conditions are most obvious in Oklahoma, upcoming forecast models show a very dry pattern



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KC WHEAT POISED TO OUTPERFORM CHICAGO

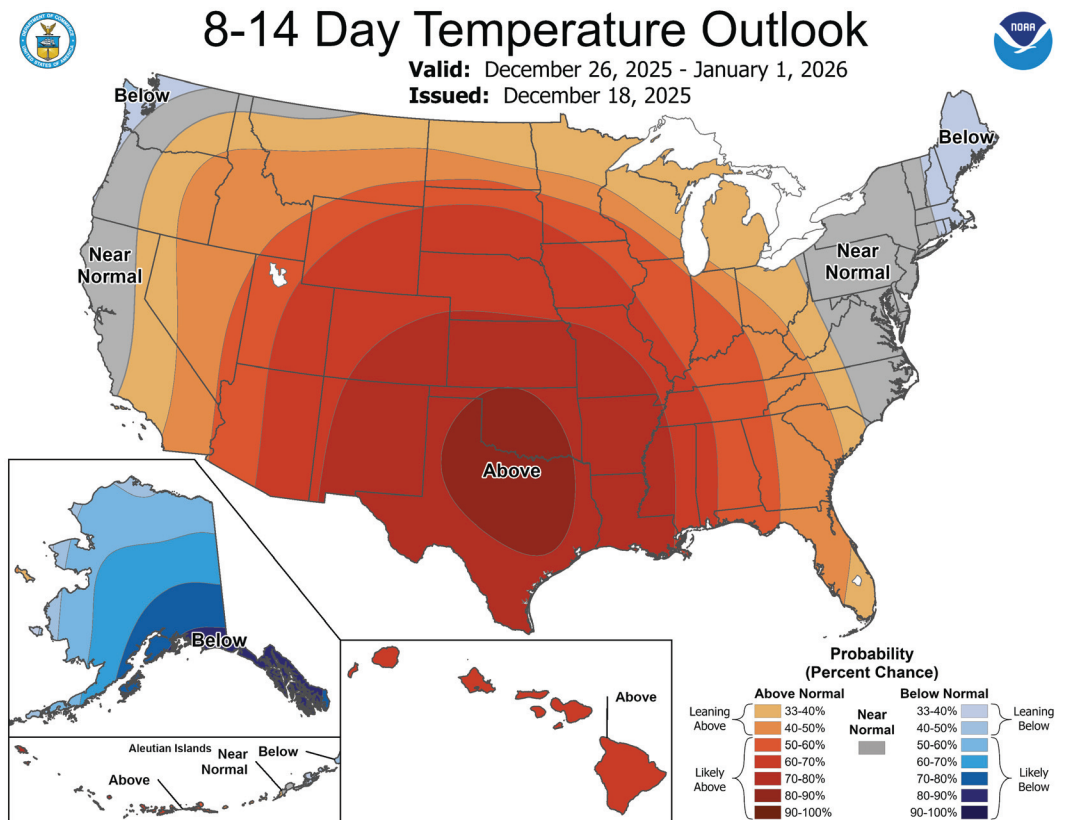
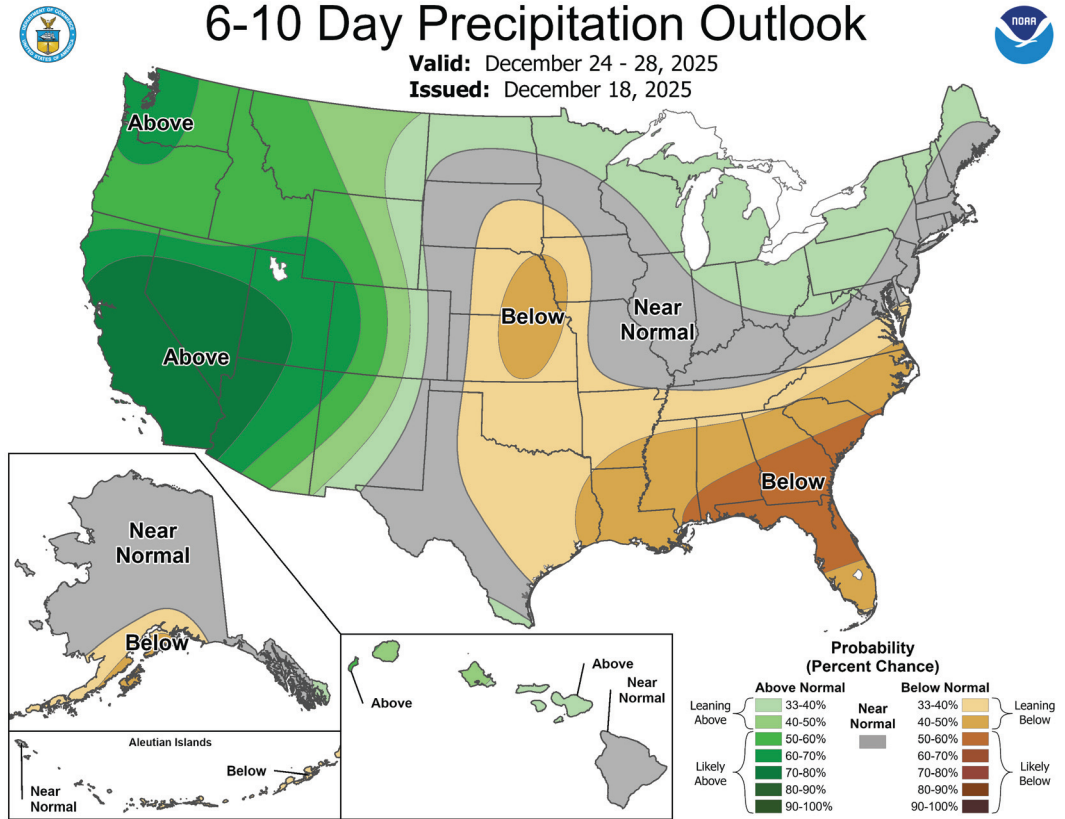
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dominating Kansas, Oklahoma, and Texas over the next few weeks. Furthermore, record-high temperatures are expected across the Southern Plains over the next 2 weeks. However, two private weather forecasters are warning of bitter cold in January, which is not ideal for crops emerging from a record-breaking warm spell. While it is still early, prolonged dryness during stand establishment and root development often becomes a market focus as January approaches. In contrast, SRW growing areas enjoy more favorable moisture profiles.

Combined, these elements create an attractive setup for the long March KC–short March Chicago spread. While global wheat fundamentals remain bearish, the relative value picture signals the potential for KC to outperform Chicago into early 2026, especially if weather stress deepens in the HRW belt or global protein premiums begin to firm.

Suggested Trading Strategy

BUY March Kansas City wheat/
SELL March Chicago wheat at a 5-cent premium to Kansas City. Risk 10 cents on the trade. Use an upside objective of 29 cents premium to Kansas City.



SUGAR SETTING UP FOR NEXT UPSIDE MOVE

Sugar prices will post a weekly loss and are heading for a sizable quarterly loss, but their Friday rebound provides more evidence that a longer-term low was put in during early November. The market has priced in sizable production increases from Brazil and India this season, but it may have overextended to the downside given recent bullish developments. As a result, sugar prices may be setting up for a sizable recovery during the first quarter of 2026.

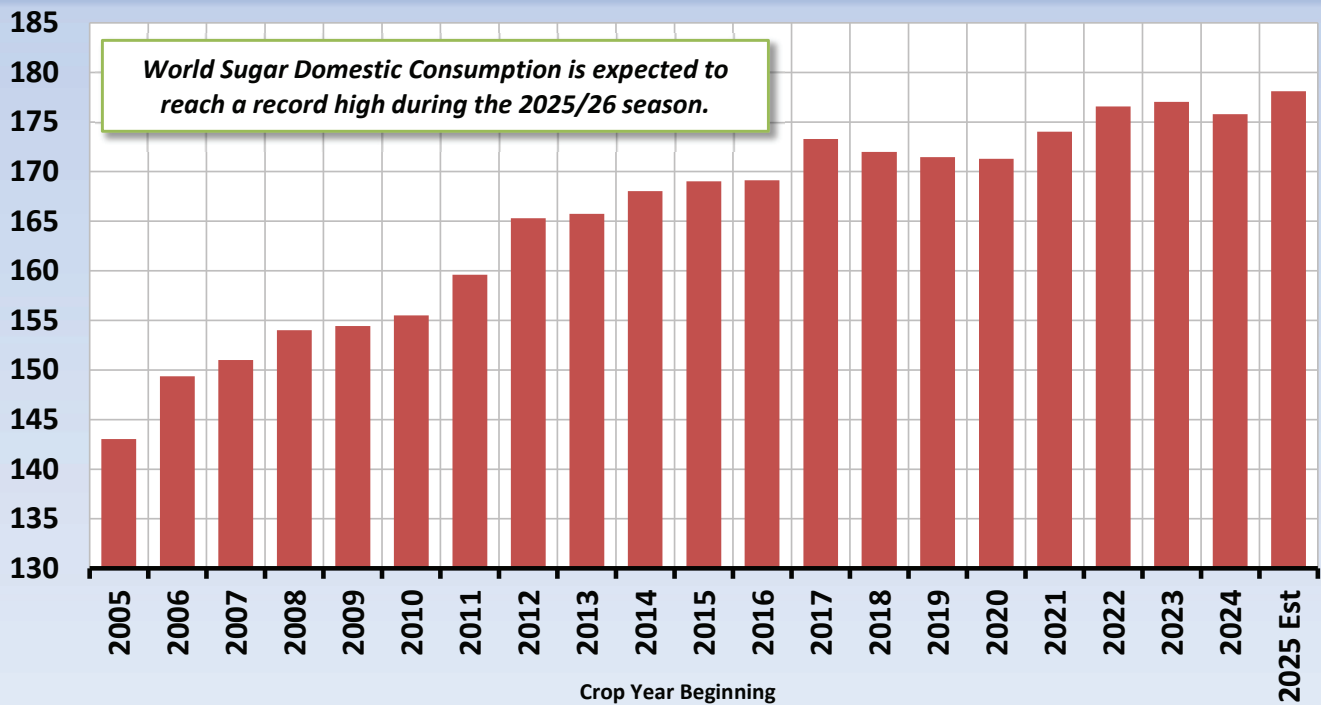
Brazil's current cane harvest is winding down, and this season's sugar production is only 1.13% ahead of last season. India may allow for additional sugar exports during the 2025/26 season, but they are also finalizing plans to increase their ethanol blending for petroleum from 20% up to 30% by 2030. As a result, this season's output expectations for the world's top two sugar-producing nations may be reduced. At the same time, EU 2025/26 sugar production may reach a 3-season low.

The USDA projected global sugar domestic consumption during the current 2025/26 season at 178.113 million tonnes, an increase of 2.34 million tonnes from the 2024/25 season and a new record high. With prices at five-year lows in November, consumption should increase as consumers and commercial end-users take advantage of the cheap supply. While the 2025/26 season should still have a sizable global production surplus, expectations for its size may be dialed back early in 2026.

Suggested Trading Strategy

BUY March Sugar at 14.25 with an objective of 17.40. Risk the trade to 13.45.

World Sugar Domestic Consumption Million Tonnes By Season



CUSHING CRUDE STOCKS APPROACHING OPERATIONAL LOW

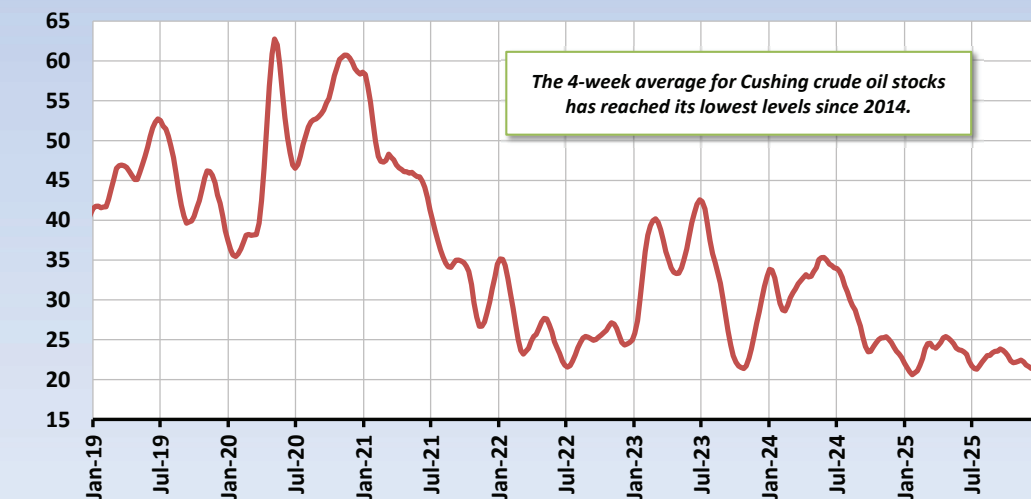
Cushing, Oklahoma, has the largest collection of tank farms in the US, where crude oil is held in above-ground storage tanks. Although the maximum tank capacity is roughly 94 million barrels, the combined working capacity is roughly 77 million barrels, which is the unofficial maximum at which operations can run smoothly. More importantly, the Cushing tank farms have an unofficial operational low of 20 million barrels, the minimum storage level required to maintain integrity of the tank shells.

Several pipelines have been built over the past few years that bypass Cushing and ship crude oil directly from the Permian Basin to refineries and export terminals in southeast Texas. Even so, Cushing is located along several critical pipelines that ship crude oil from Canada to the Gulf Coast and from the Gulf Coast to refineries in the Midwest. While Cushing currently accounts for less than 5% of total non-SPR crude oil storage, it is considered a “proxy” for US pipeline crude oil supply.

This week's EIA Weekly Petroleum Status report showed crude oil stocks located in Cushing at 20.862 million barrels, down 742,000 barrels, which is the largest weekly decline since October. Cushing crude oil stocks are at their lowest level since late June, with both of those readings the lowest since January. This week marks the seventh time this year that Cushing crude oil stocks have been below 21 million barrels, the lowest weekly readings since October 2014.

The EIA pegged US refinery utilization at 94.8% (a 4-month high), while US crude oil production has been close to record highs above 13.8 million barrels per day since early November. The fact that Cushing crude oil stocks (and pipeline supply) are currently low leaves the US vulnerable to a supply bottleneck if the Polar Vortex causes freezing conditions over Permian and Eagle Ford production areas, or if there are pipeline disruptions from Canada to the upper Midwest.

Cushing Crude Oil Stocks Million Barrels/4-Week Average



Source: EIA

TOP 12 SUGAR CONSUMERS

The USDA has forecast 2025/26 human domestic sugar consumption at 178.113 million tonnes, a 2.34 million increase from 2024/25 and a new record high total.

Courtesy of the USDA, here are the 12 largest consumers of sugar during the 2025/26 season (in tonnes):

India	31,000,000
European Union	16,400,000
China	15,800,000
USA	10,930,000
Brazil	9,000,000
Indonesia	7,750,000
Pakistan	6,300,000
Russia	6,150,000
Mexico	4,427,000
Thailand	4,000,000
Egypt	3,850,000
Turkey	3,075,000



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COMMITMENTS OF TRADERS

Data As of December 9, 2025
Non-Commercial & Non-Reportable
Combined Futures & Options

Market	Net Position	Net Change	4-Wk Net Change	52-Wk Ranking
Grains				
CBOT Grains	170,084	-64,535	-83,992	43
Corn	13,738	-21,088	-41,291	30
KC Wheat	-7,378	2,539	-1,203	50
Minn Wheat	-16,701	149	7,611	38
Rice	-4,671	207	60	17
Soybeans	189,145	-41,795	-48,940	47
Soyoil	-6,017	-9,913	-12,567	6
Soymeal	42,343	-24,394	-40,614	48
Wheat	-32,799	-1,652	6,239	51
Livestock				
Cattle	84,034	3,238	-6,629	2
Feeder Cattle	3,963	-206	-715	1
Hogs	55,927	312	-10,858	5
Metals				
Copper	75,480	9,329	14,210	52
Gold	249,702	6,046	33,007	26
Platinum	24,973	1,730	1,271	32
Silver	60,269	3,775	7,750	15
Softs				
Cocoa	-7,437	3,651	-760	3
Coffee	41,518	-330	-3,961	16
Cotton	-36,760	3,214	8,167	31
Milk	-9,935	1,444	-772	11
OJ	-2,014	-341	-847	1
Sugar	-165,011	3,594	11,475	6
Currencies				
Canadian	-139,143	17,849	20,125	26
Dollar	-13,592	1,876	1,560	10
Euro	173,821	25,426	41,517	52
Energies				
Crude Oil	130,791	19,924	3,568	8
Gas (RBOB)	103,279	-8,535	-2,453	50
Heating Oil	43,429	-8,577	-14,941	38
Natural Gas	-85,248	27,851	36,581	33
Financials				
Bonds	97,587	-29,176	17,836	41
E-Mini S&P	-68,435	6,353	-18,208	16
Dow Jones \$5	-14,535	1,631	-848	3
T-Notes	-634,919	-5,256	6,545	30
	Extreme	Ranking 1 = Shortest Short		
	5% of Extreme	52 = Longest Long		