LAKEFRONT FUTURES

THIS ISSUE

Near Term:

Bullish:	Soybean Meal Cocoa

Long Term:

Bearish:	Crude Oil Silver

Other:

Has US Crude Oil Production Peaked?

MAJOR ECONOMIC EVENTS

January 26
- Durable Goods
- Chicago Fed National Index

January 27
- Case-Shiller Home Index
- Consumer Confidence

January 28
- BOC Meeting
- FOMC Meeting Results

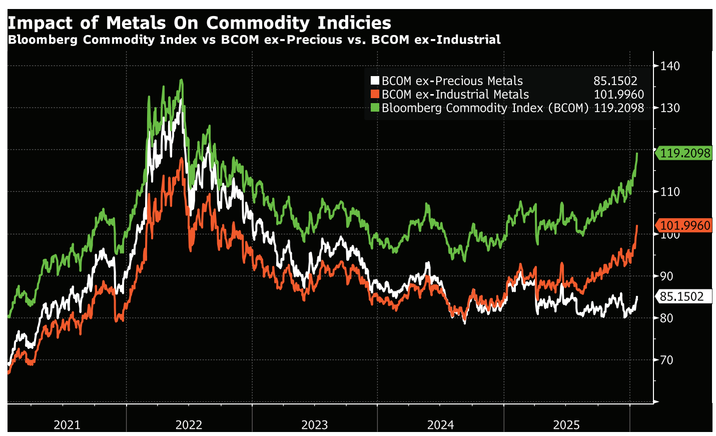
January 29
- International Trade Balance
- Jobless Claims
- Non-Farm Productivity
- Factory Orders
- Wholesale Inventories

January 30
- Euro Zone GDP
- Producer Price Index
- Chicago PMI

January 23, 2026

Economic Focus

At the risk of sounding like a "broken record", the global economy continues to waffle with a very minimal tilt toward growth. Similarly, the global inflation outlook has shown little change except for signs that prices in some areas are beginning to decline. In fact, recent inflation measures from portions of Europe have posted deflationary-type readings, while US inflation measures have been eerily steady. When those US readings are annualized, however, inflation remains above a level that the Fed is comfortable with. In retrospect, global equity market action has been very impressive given wave after wave of significant and concerning geopolitical events. Historically, equity markets have been generally accurate predictors of the direction of the economy, suggesting that an ongoing pattern of "Goldilocks" economic data, combined with a slow erosion of inflation, could see the stock market extend its uptrend into the second quarter. Clearly, the situation in Iran has become the primary geopolitical focus, with the Russian/Ukraine war seemingly drifting to a "backburner" issue. While it is unclear whether a regime change will occur in Iran and/or Venezuela, the potential for positive change in both countries is the highest in decades. Obviously, seeing a positive political and economic environment emerge in Venezuela is much more likely than in Iran. In our opinion, the stock market sees potential for "smoother waters" ahead, despite signs of political or economic "Armageddon" in the precious metal markets. Certainly, the historic gains in gold and silver have provided significant lift to broad-based commodity indices, but we think physical commodities are finally shifting into an uptrend!



OVERVALUED/UNDERVALUED

Fundamental	Technical	COT
OVERVALUED		
Euro	Gold	Gold
Soybean Oil	Silver	Cattle
Hogs	Crude Oil	RBOB
UNDERVALUED		
Dollar Index	Bonds	Sugar
Natural Gas	Cocoa	Natural Gas
Japanese Yen	Coffee	Minn Wheat

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OUR OPINION... MARKET BY MARKET

Market		*
Stocks	Investors continue to discount geopolitical threats	L
Bonds	Range bound with PCE steady, not falling.	N
Dollar	Greenland flap leaves the $ undervalued.	L
Euro	Signs of deflation surfacing; rate cut murmurs.	S
Gold	Still not bought out versus COT positioning data.	L
Silver	Residual buying fuel versus COT & ETF analysis.	L
Copper	Strong rejection of sub-$5.75; improving China data.	L
Crude	Polar Vortex to temporarily support higher prices.	S
Gasoline	Burdensome gasoline stocks; sell Mar above $2.10.	S
Nat Gas	Be a patient seller as winter storm temporarily lifts.	S
Soybeans	More demand last wk, bullish SM & BO supportive.	L
Corn	Massive exports last week, S Arg dryness supports.	L
Wheat	Short covering, cold temps boost near term outlook.	L
Hogs	April gaps up, weather supportive, more upside.	L
L Cattle	Weather and strong cash keep bulll trend intact.	L
Sugar	Weak crude & RBOB erodes ethanol demand.	S
Coffee	Successful retest of the December low.	L
Cocoa	Huge January selloff creates buying opportunity.	L
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 Soybean Oil 54.00/51.00 bear put @ 1.05

Buy Apr Coffee 340.00/362.50 bull call @ 7.00

Buy Mar Corn 430 call @ 4

Overvalued

Sell Mar Cocoa $3,700 put @ 155*

Sell Mar Silver $140.00 call @ 1.65*

Sell Mar Gold $5,400 call @ 58.00*

Trend Reversals

Buy Feb Hog 87.00 put @ 0.375

Buy May Silver $80/$74 bear put @ 1.00 (after more up)

Buy Apr Natural Gas $3.40/$3.00 bear put @ 0.120

Only use these strategies during periods of high liquidity.

*** When selling options, only risk to double the premium received.**

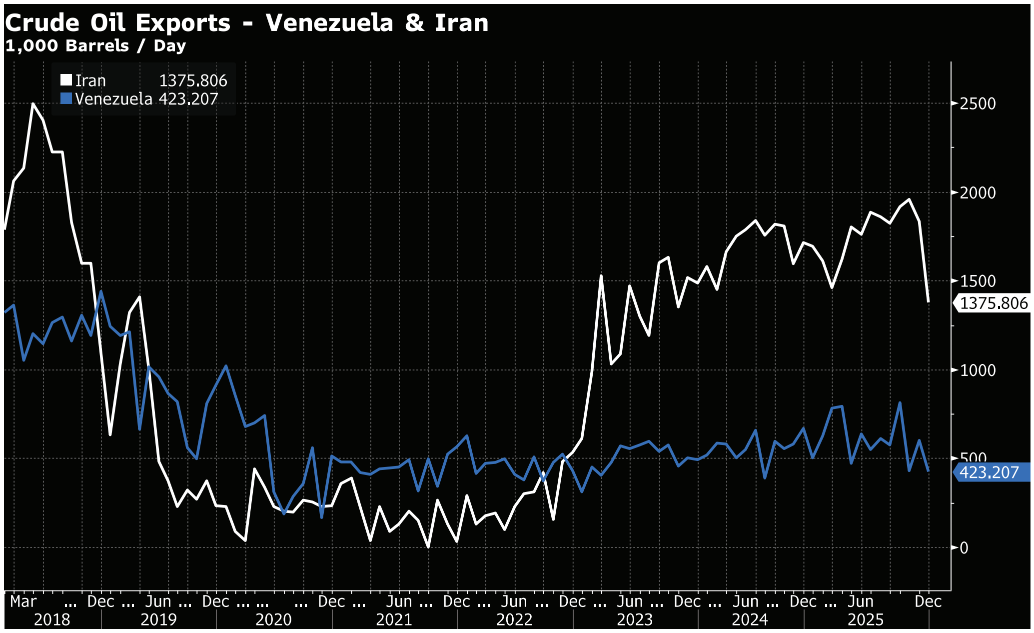
TRADERS TOOLBOX

UPDATES TO PRIOR LONGER-TERM TRADE STRATEGIES

Original Trade Date	Trade	Action
ULSD 12/12/25	Long a March ULSD $2.20/$2.33 bull call spread at 0.0312.	**HIT OBJECTIVE at 0.0730 for a profit of 0.0418 on the strategy.**
Crude Oil 1/16/26	SELL March Crude Oil at $62.20.	Use an initial objective of $55.40, and again down at $54.00, and risk the trade to $64.10.
Crude Oil 1/23/26	**BUY an April Crude Oil $61.00/$54.00 bear put spread at 2.50.**	**Use an objective of 6.20, and risk the spread to 1.50.**
Silver 1/23/26	**BUY a May Silver $80.00/$74.00 bear put spread at 1.00.**	**Use an objective of 4.00, and risk the trade to 0.40.**

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.

SELL THE POLAR VORTEX RALLY IN CRUDE OIL



We see the slow grinding uptrend in equity markets continuing; we ultimately see the US economy and several threatening geopolitical issues resolving in a positive fashion, and we expect the Federal Reserve to gradually become more inclined to cut US interest rates. However, with the global economy barely maintaining positive momentum, energy demand is likely to be overcome by expanding supply. In fact, recent EIA data shows US crude oil and gasoline inventories reaching year-over-year surpluses of 14.386 million barrels and 11.092 million barrels, respectively. Furthermore, EIA refinery utilization remains significantly above normal seasonal levels, with implied gasoline demand disappointing and global jet fuel consumption drifting lower. Classic supply-and-demand fundamentals favor the bear camp, especially given that EIA, IEA, and OPEC are projecting the largest annual global crude oil surplus in decades.

While regime change in Iran and Venezuela remains uncertain, prospects for positive change in both nations could add dramatically to the long-term projections of "oversupply". Certainly, regime change will not result in the immediate expansion of oil production and exports from Iran and Venezuela, but expectations of increased future supply will likely be embraced! However, a modest recovery in Venezuelan oil production should be seen as an expansion of its oil sector may be jump-started by notable investment from US and global oil majors.

We see potential regime change keeping crude oil prices under pressure. From a technical perspective, price gains from the December lows (which have been accentuated by the extreme polar vortex event in the US) should offer long-term short-selling opportunities in crude oil and RBOB. Those concerned about entrenched extreme cold from the polar vortex pattern could hedge/protect short crude oil and RBOB positions with ULSD call options.

Top 12 State Crude Production

While U.S. crude oil production reached record levels late last year, most of nation's output continues to be concentrated within a relatively few number of states.

Courtesy of the EIA, here are the states with the largest crude oil production readings during October 2025 (in barrels per day):

Texas	5,753,000
New Mexico	2,382,000
Gulf of America	2,031,000
North Dakota	1,163,000
Colorado	475,000
Alaska	428,000
Oklahoma	417,000
Wyoming	277,000
California	248,000
Utah	178,000
Ohio	138,000
Montana	86,000

Suggested Long Term Trading Strategy

BUY an April Crude Oil $61.00/$54.00 bear put spread at 2.50 with an objective of 6.20. Risk the spread to 1.50.

PLANNING FOR A SILVER TOP

Clearly identifying a major top in gold and silver is extremely difficult, but it could offer a significant reward if risk is managed and if one can achieve some measure of accurate timing. As we have indicated multiple times over the last two months, speculative fervor has reached "red hot" levels, with option premiums at levels we consider irrational. However, even if COT speculative positioning levels are adjusted for recent record highs, net long positioning in speculative categories is not historically "bought out". In fact, the latest COT positioning report showed Silver Noncommercial and Nonreportable combined net long positioning (futures and options) is roughly 30,000 contracts below a record high.

Furthermore, we estimate the Managed Money net long position in Silver (adjusted for post-report gains) at less than half the size of the record high. While investment inflows (primarily measured by ETF activity) continue to surge, we think investors retain significant buying capacity. Even though silver nearly tripled in price during 2025, total ETF investment holdings (as measured by Reuters) increased by only 100 million ounces, which pales in comparison to the record annual ETF demand in 2020 of 284 million ounces! Based on fundamental measures, silver retains buying power!

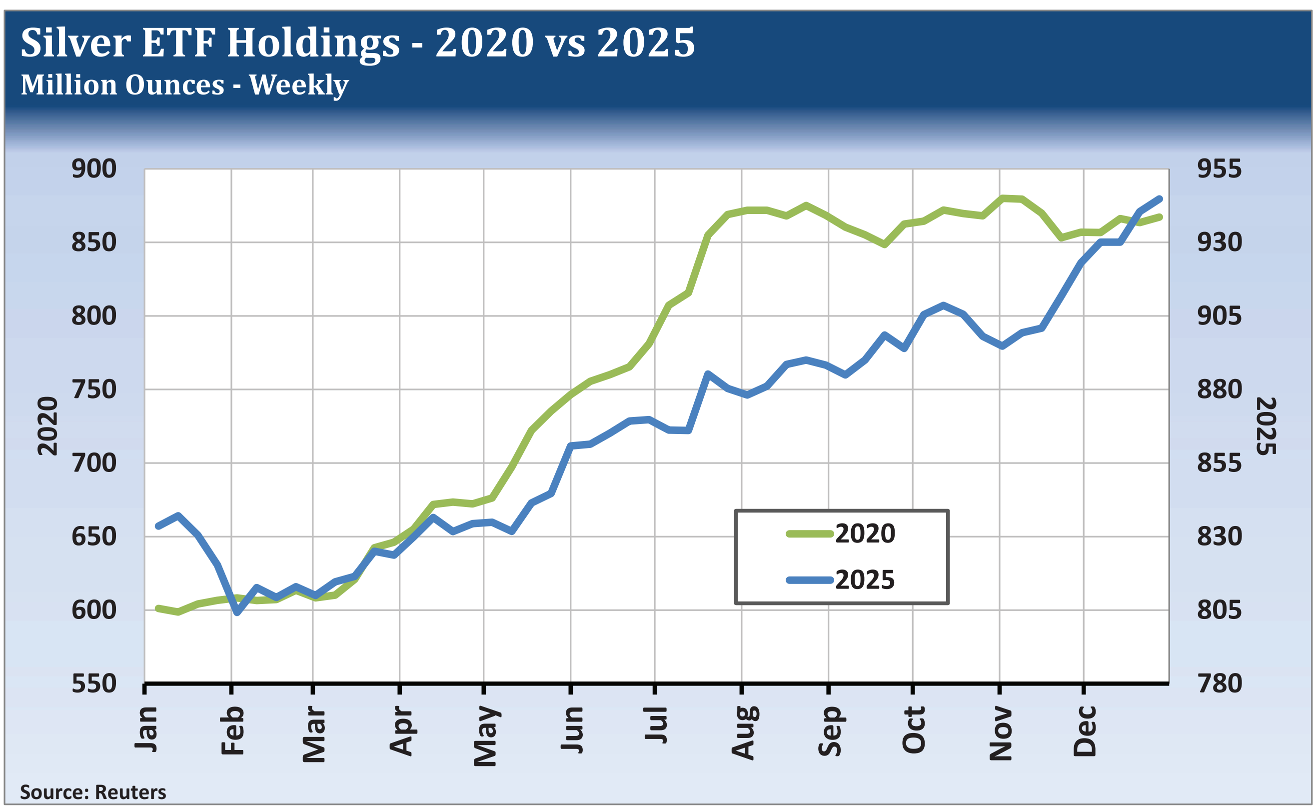
While serious geopolitical issues continue to drive flight-to-quality buying, it is possible that 2026 will see the unwinding of uncertainty in Venezuela and Iran, and we could even see uncertainty from runaway US government debt significantly reduced.

Obviously, classic technical indicators have been flashing extreme overbought signals for months while implied option volatility measures are at incomprehensible levels. Therefore, we will continue to look for a major top. In fact, implied volatility for May silver options recently reached 90% with an estimated theoretical value for May Silver $150.00 calls ($47 above Friday's record high May futures price of $103) pegged at an astounding 4.60 (or $23,000 in value). In our experience, major turns in explosive commodity markets often coincide with extreme option valuations, which in turn prohibit options trading for those without significant capital. In conclusion, we think silver has yet to complete a "blowoff top," but the market is beginning a blowoff pattern.

To defeat excessive premium levels and ride out extreme volatility, we suggest traders consider long-dated & far out of the money bear put spreads.

Suggested Long-term Trading Strategy

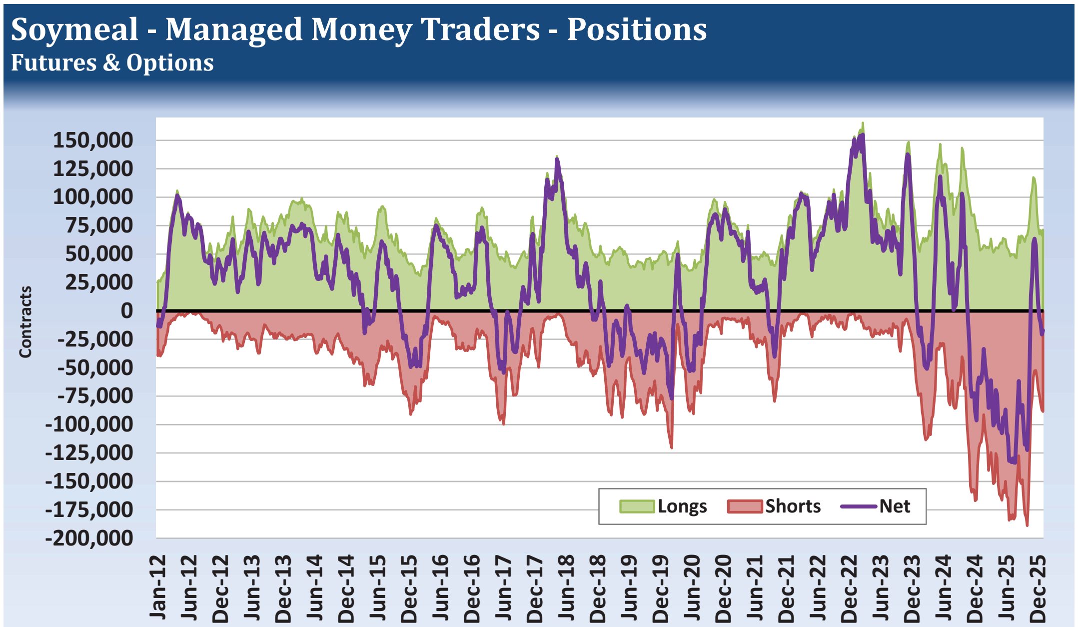
BUY a May Silver $80.00/$74.00 bear put spread for 1.00 with an objective of 4.00. Risk the trade to 0.40.

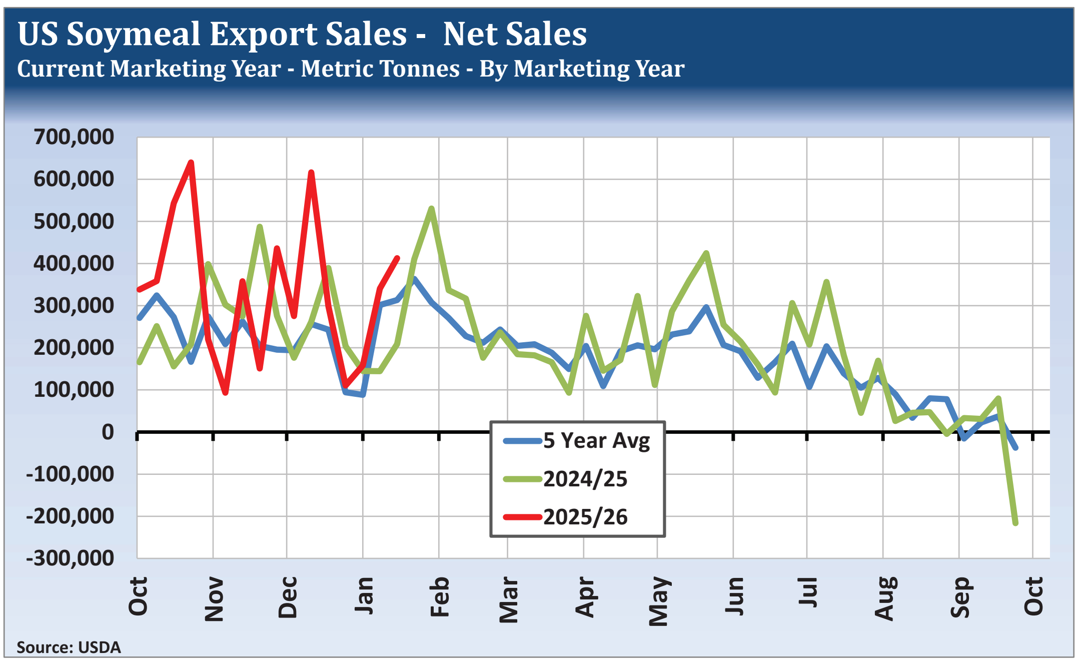


SOYMEAL OUTLOOK TURNS SUPPORTIVE

Soymeal fundamentals have become increasingly supportive as a wave of extreme and dangerous cold temperatures settles across large portions of the US, while the latest models show another cold wave late next week. The soy processing industry has now entered “survival mode”, with crushing plants focused less on optimization and more on simply staying operational. In northern states, temperatures plunging well below zero (in some areas 20 to 25 degrees below zero) are creating serious mechanical and safety challenges. In addition, a wide band of snow and ice stretching from Oklahoma to the East Coast threatens transportation networks across a broad section of the Midwest. If that were not enough, a buildup of river ice will also restrict barge traffic.

The trade is actively trying to quantify the amount of crushing capacity that could be lost during this event. Even without widespread plant shutdowns, throttling back on crushing may temporarily sideline significant capacity, with the added risk of unplanned outages. Logistics disruptions are becoming a growing concern, with reports this week showing significant





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SOYMEAL OUTLOOK TURNS SUPPORTIVE

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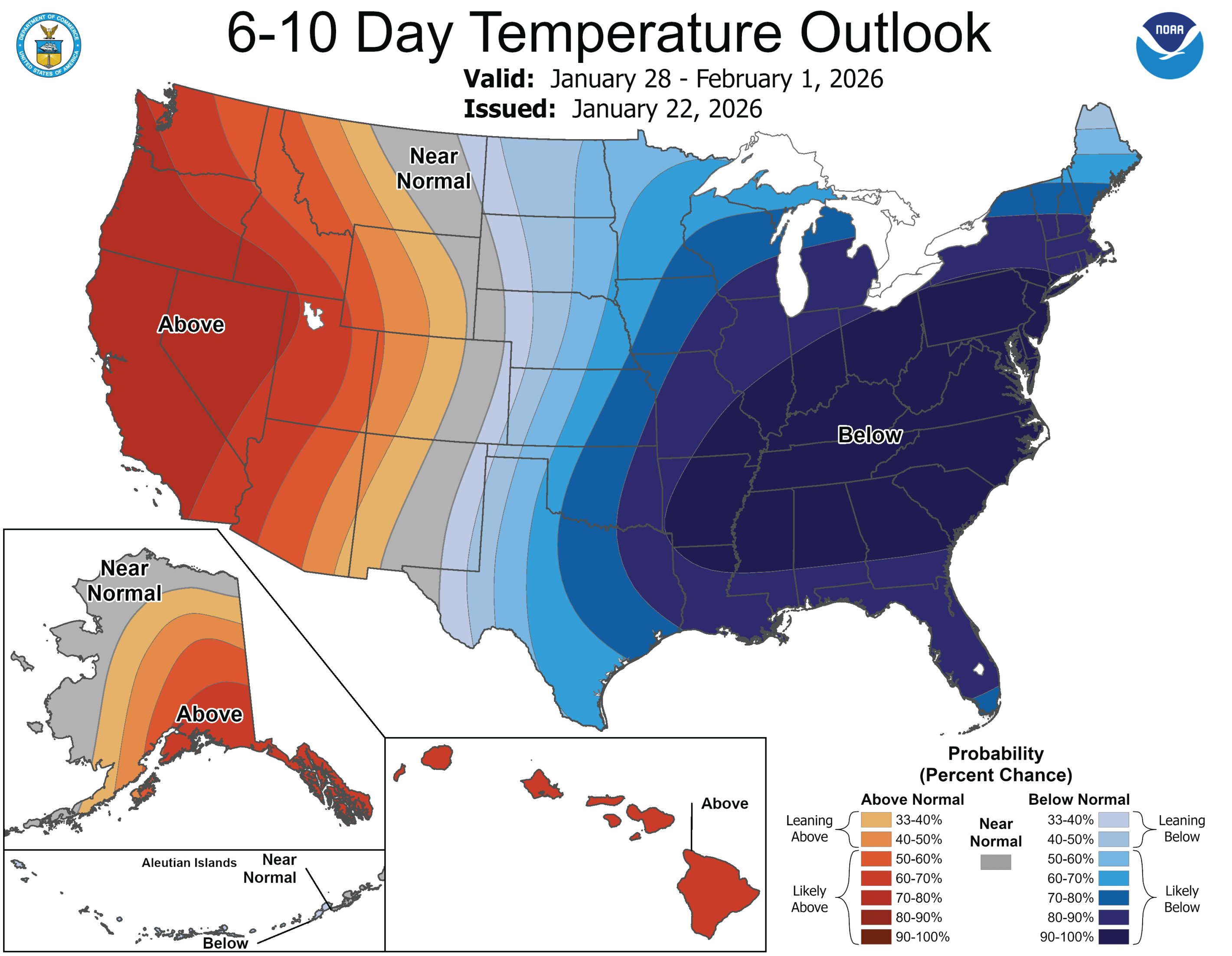
meal purchases as domestic buyers move to secure feed coverage ahead of potential rail delays. While railroads have had time to prepare, the scale and duration of this weather system raise the likelihood of uneven meal pipeline distribution, with spot shortages anticipated in many areas.

Demand signals responded to the weak price action last week. Weekly export sales were notably strong, aided by a large flash sale to the Philippines and lower prices that have encouraged both domestic and export buying interest. With processor output likely constrained and cold temperatures now expected to linger through early February, feed demand should remain elevated, supporting further price gains in meal futures.

Taken together, reduced crush availability, logistical friction, and improving demand suggest soymeal prices will be well supported. Any further disruption could quickly shift the market from tight supplies to outright undersupplied, leaving the door open for a near-term rebound and a reason for speculative long positioning.

Suggested Trading Strategy

BUY March Meal futures on a pullback to 296.50. Risk to 289.80. Use an upside objective of 314.00.



COCOA SHOULD BENEFIT LOWER PRICE DRIVEN DEMAND

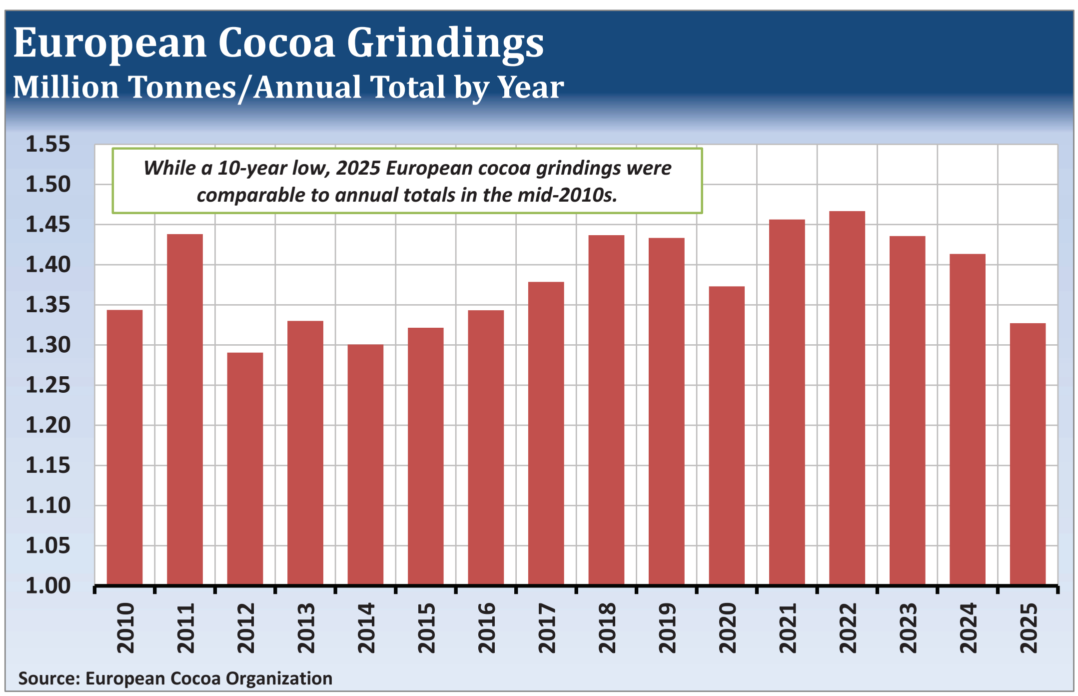
Over the past two years, cocoa prices have rallied from $4,335 to $12,931, then fell all the way back below $4,100 late this week. Cocoa's pullback was punctuated by a loss of over $2,100 (34%) in just 10 trading sessions. The market's major bearish catalyst has been the sharp drop in demand caused by historically high prices, with Europe and Asia both seeing a third straight annual grinding decline during 2025.

However, Asia's fourth-quarter grindings were higher than trade forecasts, while North American fourth-quarter grindings were roughly unchanged from 2024, indicating that some end-users are starting to rebuild their cocoa stocks. More importantly, the massive reduction in cocoa prices could lead to lower retail chocolate prices earlier than many analysts are projecting. Lower chocolate prices would further strengthen cocoa's demand outlook, which in turn can encourage commercial firms to increase their 2026 cocoa purchases.

On the supply side, a key factor may be the potential onset of an El Niño by mid-year. El Niño tends to result in drier-than-normal weather in West Africa, a region that accounts for most of the world's cocoa production. If there are signs that upcoming Ivory Coast and Ghana cocoa production will be reduced due to dry weather, commercial firms will have a reason to be even more aggressive with acquiring near-term cocoa supply, which would provide additional support.

Suggested Trading Strategy

BUY a May Cocoa $4,500/$5,000 bull call spread at 110 with an objective of 435. Risk the option spread premium to 35.



HAS US CRUDE OIL PRODUCTION PEAKED?

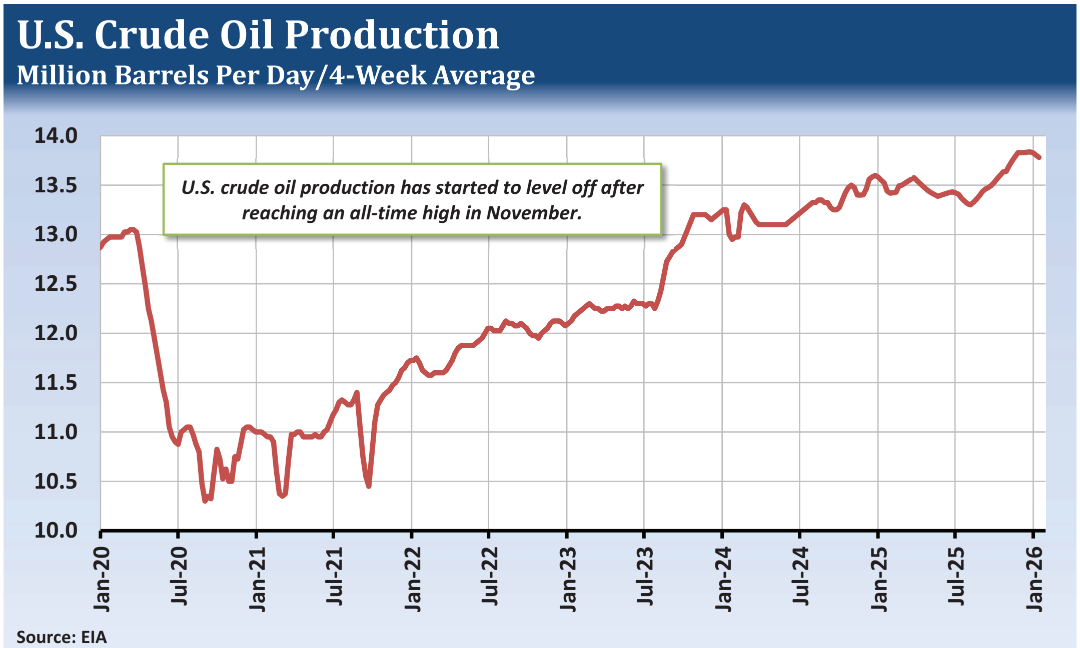
The US continues to be far and away the world's largest producer of crude oil, with output consistently more than 3 million barrels per day (bpd) higher than Saudi Arabia and Russia. US production has been in an uptrend since the start of the fracking boom in early 2012 and is more than 160% larger than output in January 2006. With the world looking at a sizable global crude oil supply surplus this year, has US crude oil production reached an all-time high?

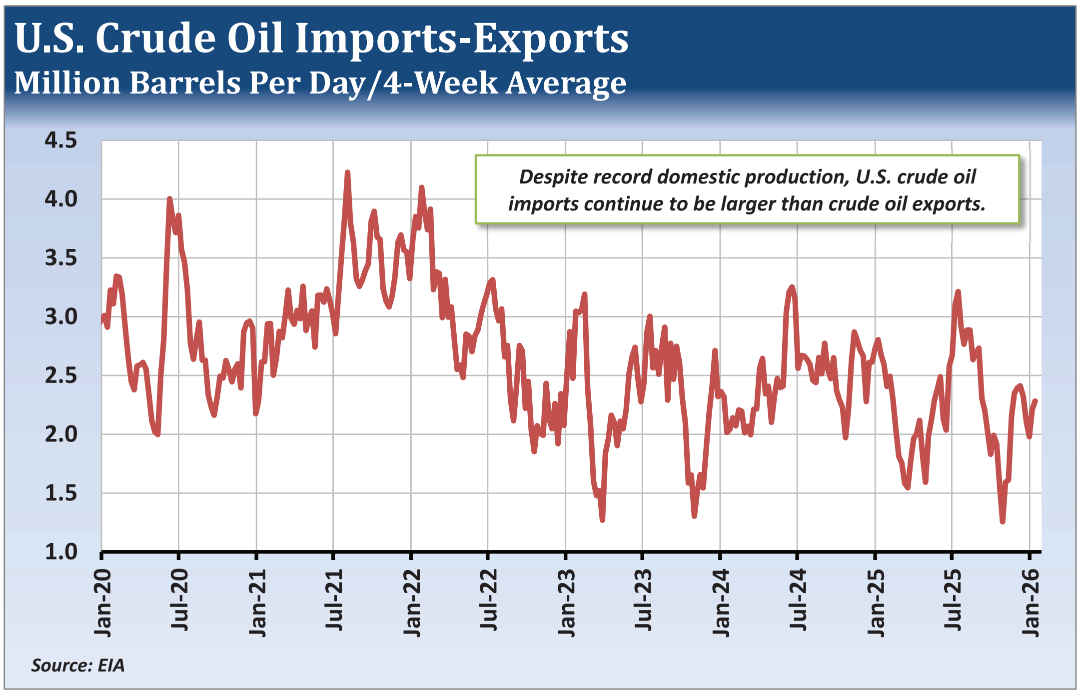
The EIA's January Short-Term Energy Outlook projected 2026 US average crude oil production at 13.6 million barrels per day (bpd), which is unchanged from their 2025 estimate. However, the EIA has forecast 2027 average US crude oil production at 13.3 million bpd, marking the first output decline since 2021. The EIA Weekly Petroleum Status report showed an all-time high of 13.862 million bpd during the week of November 7th, 2025, with output falling by 130,000 bpd since then.

The surge in domestic oil production has resulted in a significant decline in crude oil imports, which were consistently above 10 million bpd during the first decade of the 21st century. In contrast, average weekly crude oil imports over the past year has been 6.223 million bpd. While crude oil exports were under 1 million bpd until 2017, there has been a longer-term increase since Russia's invasion of Ukraine, with an average weekly reading of 3.963 million bpd over the past year.

Most crude oil produced by the US has low density and a low sulfur content ("light" and "sweet"), while many of the largest US refineries are set up to process heavier (or "sour") crude oil. As a result, Canadian crude oil will continue to be shipped by pipeline to become feedstock for the major Midwestern refineries. More importantly, the expected inflow of Venezuelan crude oil will be processed by major Gulf Coast refineries.

The Baker Hughes US oil rig count has stayed within a tight range of 406 rigs to 425 rigs since July 2025. The lower end of that range is the lowest rig count since September 2021, indicating reluctance among many US energy firms to ramp up exploration amid a global crude oil supply glut. With Venezuela and Iran potentially having significant increases in their crude oil exports, US crude oil production may continue to decline from 2025's record high.





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COMMITMENTS OF TRADERS

Data As of January 20, 2026
Non-Commercial & Non-Reportable
Combined Futures & Options

Market	Net Position	Net Change	4-Wk Net Change	52-Wk Ranking
Grains				
CBOT Grains	-155,956	-23,136	-185,895	24
Corn	-90,263	-11,453	-83,004	24
KC Wheat	-12,674	-5,585	-3,954	44
Minn Wheat	-16,573	-229	-1,255	35
Rice	-3,989	9	1,090	32
Soybeans	25,971	-5,791	-82,019	30
Soyoil	-18,664	27,687	64,559	8
Soymeal	-16,821	-22,892	-20,504	38
Wheat	-91,664	-5,892	-20,872	12
Livestock				
Cattle	102,259	-10	11,217	12
Feeder Cattle	7,674	1,443	2,799	13
Hogs	94,978	18,256	20,345	26
Metals				
Copper	69,049	1,953	-2,033	47
Gold	270,946	-8,256	4,006	36
Platinum	21,575	-2,134	-2,253	13
Silver	45,526	-8,479	-3,881	1
Softs				
Cocoa	-20,249	-6,739	-20,859	1
Coffee	34,523	-4,029	2,336	12
Cotton	-22,036	1,356	5,881	50
Milk	-9,674	190	-540	15
OJ	322	-51	1,310	13
Sugar	-165,813	-11,838	-39,186	6
Currencies				
Canadian	-45,762	100	-9,282	50
Dollar	-6,267	-2,582	-1,637	16
Euro	138,869	-22,187	-52,325	28
Energies				
Crude Oil	165,574	33,587	43,187	19
Gas (RBOB)	79,933	255	1,228	46
Heating Oil	32,117	5,810	79	27
Natural Gas	-182,172	-7,463	-37,026	1
Financials				
Bonds	106,244	-25,350	-44,674	39
E-Mini S&P	40,724	23,868	14,046	43
Dow Jones $5	100	-4,196	-3,476	27
T-Notes	-713,606	163,997	137,895	19
	Extreme	Ranking 1 = Shortest Short		
	5% of Extreme	52 = Longest Long		