

COMMENT

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secretary

From: volsurfer@earthlink.net
Sent: Monday, July 17, 2006 1:48 PM
To: secretary
Subject: COT Comments

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Dear Mr. Secretary:

My name is Mark Serafini and I am a Institutional Trader/Analyst who has worked on both the Buy-side and the Sell-side of Wall Street since 1991. I have been actively using the COT weekly reports as a research/analysis tool for over a decade and, until recently, found them to be very useful in illustrating the "context" of each of the markets that are reported. Recently I came to find that the "Commercial" filers category has been extended to include Long-Only Commodity Index Funds. I can understand the logic that the CFTC has used to categorize these "passive" funds as Commercial since they purchase/sell commodity interests (futures/options) and then repackage it for sale to investors. However, I have to disagree with the assumptions you are making. They are, by definition, Speculating on the direction of markets and in no way are hedging any basis, or other risk. I fully realize that the former Chairwoman of the CFTC re-classified the reporting categories in the early 1990's so that the demarcation line between a "Speculator" and a "Hedger" no longer exist. This, to me, was the first step in the wrong direction. By further progressing in the wrong direction, as she did in the past, you are making this publicly available data less and less useful for realistically gauging the intent of the participants within the US Commodity Futures Markets. I would humbly suggest that you re-establish classifications for "Speculators" who are buying/selling based on a directional opinion and "Commercial Hedgers" who are hedging basis risk versus their "cash" position. This seems to me to be the only accurate way to describe, in a consistent "real-world" context what each category of players is actually accomplishing by their buying/selling of commodity futures/options contracts. Thank you very much for your ear, and I look forward to the conclusions the Secretary makes in response to the comments that the market community provides.

Regards,

Mark Serafini

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Records Section

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