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COMMENT

COMPREHENSIVE REVIEW OF THE COMMITMENTS OF TRADERS REPORTING PROGRAM

71 FR 35627 (June 21, 2006)

THE ATTACHED PDF FILE IS WORD-SEARCHABLE

NUMBER OF COMMENTS RECEIVED ON THIS DATE: 34

secretary

From: sybico@sybico.com
Sent: Monday, July 31, 2006 7:59 AM
To: secretary
Subject: COT reports

Eileen Donovan, Acting Secretary
Commodity Trading Futures Commission
Three Lafayette Center
1155 21st Street, NW
Washington, DC 20581

Email:secretary@cftc.gov

Subject: COT reports

In response to your request for comments, I am deeply concerned that the CFTC would consider discontinuing such a popular and insightful report. While the report may need modification, the number and size of exemptions granted by the Commission would seem to demand more transparency, not less. In general, any modification must avoid discontinuing, suspending, or delaying, the Commitments reporting. And the Commission should take precautions to implement report changes in such a way as to maintain continuity with historical data. Absent historical reference, the report becomes nearly unintelligible. My specific responses to your numbered inquiries are as follows:

1. As an individual trader, I use the COT report to alert me to sudden position changes that would indicate a reversal in sentiment by a particular trader group. I also look at total positions against their historical ranges to identify sentiment extremes among the various trader groups.
a. The size of the commercial long and short totals, as well as the ratio of these, is useful in discovering extremes or significant changes in sentiment within the "trade." Historically, large one-sided positions among commercial traders has indicated a potential price trend change in the direction of the commercial position. Likewise, resumptions in major trends often follow a large change in commercial buying or selling patterns.
b. Non-commercial large traders have historically shown a preference for momentum trading strategies and, thus, provided the buying power in bull trends and the selling power in bear trends. I look for a trend to accelerate in the direction of predominant one-sided large speculator trading. I anticipate declining large speculator participation and am alert for potential trend reversals when their positions approach historical long or short extremes.
c. In uptrends, the extent that large non-commercial traders are willing to bid forward futures prices to a premium over normal carrying charges gives me an indication of the potential strength and longevity of bullish conditions. In downtrends, momentum selling usually results large speculators holding shorts and net short positions near their historical extremes at price bottoms in both futures and cash prices.
2. The Haig working paper on the CFTC website lists 41 related scholarly works, many apparently using COT data, and this is probably not a comprehensive list.
3. Market transparency is the antithesis of manipulative advantage, and the COT report makes US futures the most transparent of any exchange in the world. Do traders change their tactics based on date in the COT report? If they do, those reactions are promptly reported in next week's issue. This self correcting feature is unusual in a potentially market-moving report.
4. The Commission must continue publishing the CoT report.
5. Since the large traders are not identified, only the Commission can judge the need for additional trader categories. It is difficult to understand the distinction the Commission draws between non-commercials and non-traditional commercials. Under the Commission's rules a hedge fund buying futures contracts is listed as a speculator and is subject position limits. However, if the same hedge fund acts through an intermediary swap dealer, it can apparently operate without limits and the futures

position is categorized as a Commercial under the guise that the swap dealer is now a "bona fide hedger." If the Commission does not view these as equivalent speculative (non-commercial) positions, than I would prefer to see it listed under a separate category and reserve the commercial category for traditional hedgers.

6. The COT report is not the only source of information regarding the potential size and timing of investment fund rolls. Even if it were, the market would soon arbitrage out any unfair advantage. Transparency is the antithesis of manipulative advantage.

7. a. The COT report is not the sole source of trader information. In fact many of these entities report their positions on SEC reports. For the CFTC to quit disclosing aggregate homogeneous positions would actually tilt the playing field in favor of large players who have the resources to aggregate this information from other sources.

b. Insiders don't need to "guess" the identity or position totals. They can get actual names from SEC and other (less public) sources and deduce futures position sizes from equity reports and broker contacts.

By publishing factual aggregate totals, the Commission only levels the playing field to the disadvantage of potential manipulators who access inside or non-public sources.

c. The Commission has already increased the threshold number of reportable traders needed to publish Commitments data from 4 to 20.

The Commission has to balance this perceived need for privacy of individual trading concerns against the benefits of transparency. It seems to me that a market's susceptibility to manipulation is inversely related to the number of large trader participants.

Publishing the aggregate totals in the COT report is the antidote, not the poison.

8. & 9. For simplicity, categories should be consistent for all markets. If the total for a particular category in a particular market is zero, it doesn't take much effort to place it there. This provides flexibility to the Commission in future trader classification. As the Commission points out, the derivatives landscape is constantly changing and new products and non-traditional participants may be just around the corner for any market. And it is conceivable that a future Commission might use a different categorization protocol and categorize positions based on the source of the funds rather than the current practice, which apparently ignores he original source and purpose of the position.

10. Users of the COT report have benefited with each and every increase in reporting frequency. Less frequent partial reports create doubt, cloud transparency, and can't help anyone besides inside players.

11. Reportable traders are already required to report speculative positions separate from "bona fide hedges." This is not a hardship, particularly in the case of these large traders, whose reporting is automated.

Finally, I would request that if the Commission should decide to make changes that could negatively affect the continuation, continuity, or promptness of the COT report, that it submit such proposed changes for further specific public comment.

Clark Campbell, MA Hons

secretary

From: Barry [jbarryoconnor@eircom.net]
Sent: Monday, July 31, 2006 4:26 PM
To: secretary
Subject: COT reports

Dear Sir,

Thank you for the opportunity to comment on proposed changes to the COT report. I am a weekly user of the COT report and find it invaluable in my trading. At a minimum I favor continuing publication of the COT in its current format on a weekly basis. I welcome the addition of new data providing it does not disadvantage any trader.

My response to the specific questions is outlined below.

Sincerely

John F O'Connor

III. Questions

The Commission has formulated the following questions based upon its initial review of issues relating to the COT reports. Responses from interested parties will advance the Commission's understanding of these issues and, it is hoped, point the way to a satisfactory resolution of any problems that are identified regarding the COT reports. Each enumerated question should be addressed individually. Interested parties are also welcome to address other topics or issues that they believe are relevant to the COT reports.

1. What types of traders in the futures and option markets use the COT reports in their current form, and how are they using the COT data? More specifically: (a) How do traders use the COT information on commercial positions? (b) How do they use the COT information on non-commercial positions? (c) In particular, with respect to information on non-commercial positions, what information or insights do traders gain from the COT reports regarding the possible impact of futures trading on the underlying cash market?

I am a small trader, trading my own futures and commodity options account. I download the COT report every week, analyzing it in a spreadsheet and with statistical software. I use relative changes in commercial and non-commercial reportable position to assess likely changes in market direction and establish outright futures and options positions in my own account. The COT, in its current format is invaluable to me in my trading. It forms the basis of my trading methodology. Without it I could not trade.

2. Are other individuals or entities (academic researchers or others) using the COT reports and, if so, how?

3. Do the COT reports, in their current form, provide any particular segment of traders with an unfair advantage?

The COT is publicly available, allowing all parties access to its contents. Since individual traders are not identifiable no unfair advantage accrues to anyone. Furthermore the delayed nature of reporting (Tuesdays data published after most markets close on Friday), allows traders with reportable positions to change them well in advance of reporting.

4. Should the Commission continue to publish the COT reports?

YES. Most definitely. COT reports are an invaluable resource to me and many other small traders. At a minimum I favor retention of the COT report in its current format on a weekly basis. I welcome additional data as long as no traders are disadvantaged by such additions.

5. If the Commission continues to publish the COT reports, should the reports be revised to include additional categories of data--for example, non-traditional commercial positions, such as those held by swap dealers?

NO. I oppose any changes that would put swap dealers or other non traditional traders at a disadvantage.

6. As a general matter, would creating a separate category in the COT report for "non-traditional commercials" potentially put swap dealers or other non-traditional commercials at a competitive disadvantage (since other market participants would generally know that their positions are usually long, are concentrated in a single futures month, and are typically rolled to a deferred month on a specific schedule before the spot month)?

I oppose any changes that would put swap dealers or other non traditional traders at a disadvantage.

7. More specifically, if the data in the COT reports are made subject to further, and finer, distinctions, such as adding a category for non-traditional commercials: (a) Would it increase the likelihood that persons reading the reports would be able to deduce the identity of the position holders, or other proprietary information, from the reports? (b) Could such persons use information gleaned from the reports to gain a trading advantage over the reported position holders? (c) In such case, in order to reduce the likelihood of publishing categories with few traders, which might provide information giving other traders a competitive advantage over the reported traders, should the Commission consider raising the threshold number of reportable traders needed to publish [[Page 35632]] data for a market from 20 traders to some larger number of traders?

I oppose any changes that would disadvantage any group of traders. I favor the provision of additional information as long as it does not make identifiable or disadvantage any trader or gourp of traders.

8. If the data in the COT reports are made subject to further, and finer, distinctions, should the reports be revised for all commodities, or only for those physical commodity markets in which non-traditional commercials participate?

9. If a non-traditional commercial category were added to markets in physical commodities, what should be done with financial commodities, where "non-traditional commercials" would be essentially an empty category (since, in financial commodities, swap dealers would fall within the pre-existing "commercial" category)?

10. The Commission has observed that the non-traditional commercials tend to be long only and tend not to shift their futures positions dramatically--even in the face of substantial price movements. If the data in the COT reports are made subject to further, and finer, distinctions, would issuing the additional data on a periodic basis, in the form of a quarterly or monthly supplement, be sufficient?

11. Some reportable traders engage in both traditional (physical) and non-traditional (financial) commercial activity in the same commodity market. If the data in the COT reports are made subject to further, and finer, distinctions, such traders would have to break out their non-traditional commercial OTC hedging activity into a separate account. Would such a requirement represent an undue burden to those traders?

Jeffrey Lewis
720 Gordon Terrace, 11H
Chicago, IL 60613

July 25, 2006

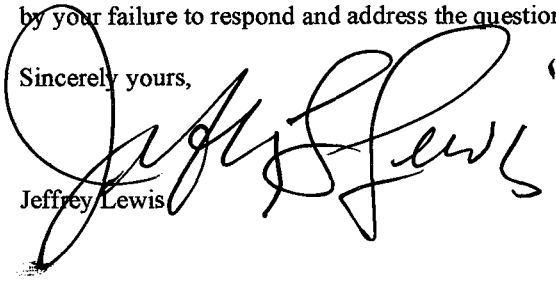
Reuben Jeffery III, Chairman
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

Dear Chairman Jeffery:

Enclosed is a copy of a letter I sent to Senator Richard Durbin, Senator Barrack Obama, and Congresswoman Jan Scharkowsky. I hope that you will reply to my letter of July 7, 2006. And I also hope that you will ensure that the COMEX continues to publish the Commitment of Traders. It is valuble to the small traders though I imagine it is getting more and more problematic for a few well-connected larger traders. I can assure you that thousands of small investors are looking over your shoulder right now. We are alarmed by unwillingness to put our fears to rest. The internet has made it possible for people of like interests to share information.

It is time to put forth your arguments on why you think nothing illegal is happening in the COMEX silver trade. Convince the people watching this market that there is no manipulation of this market. I am alarmed by your failure to respond and address the questions put forth in my letter of July 7.

Sincerely yours,



Jeffrey Lewis

Jeffrey Lewis
720 Gordon Terrace, 11H
Chicago, Il 60613

July 25, 2006

Representative Jan Scharkowsky
1027 Longworth House Office Building
Washington, DC 20515

Dear Representative Scharkowsky:

Enclosed is a copy of a letter I sent to Reuben Jeffery III, the chair the CFTC, the Commodity Futures Trading Commission, on July 7, 20026. The letter is concerned with the irregularities in the COMEX silver futures. Though Mr. Jeffery is a government employee he has not bothered to address my questions. Thousands of small investors who also are taxpayers have also written him, yet there is no reply. Perhaps you can persuade him that the questions I have raised in my letter, as well as the questions raised by Theodore Butler's July 25 essay on the silver market (also enclosed) are worthy of his attention. Perhaps the weight of your office can get him to defend the present CFTC position or at least to address the legitimate concerns of many investors.

Since the time I wrote to Mr. Jeffery July 7 the possibility of ceasing publication of the COT (Commitment of Traders) report has been raised. If the report is no long published the loss of transparency of the numbers of long and short positions as well as their concentration in the COMEX would be a huge blow to thousands of small investors, and cessation of publication would shield the four or less entities that hold the huge(89%) of the entire unprecedented short position. This certainly fits in with the failure of the CFTC to deal with the manipulative potential in the silver market in the first place! I believe we are at the threshold of a highly inflationary period, one where the dollar will lose a considerable part of its value. The markets for investments which will maintain most of their real, non-dollar value, gold, silver, etc must be not be open to manipulation.

The world is awash in US dollars, we have an unprecedented trade deficit, and we in an expensive war. Buying things that will hold on to their value looks like a prudent move to protect the value of one's assets. Will you please see that the markets for precious markets are not rigged so the wealthy, connected few may harvest the profits at the expense of the small investor?"

Please encourage the CFTC to require the continued publication of the Commitment of Traders reports in the precious metals. And please get Reuben Jeffery III to address my concerns and the concerns of thousands of small investors regarding the unprecedented size and concentration of the short position in silver on the COMEX. This short position is pits one, two, three, or at most four huge players against the world, and these well-connected few are almost certainly manipulating this market to the disadvantage of the many.

Can you assist in getting this market cleaned up? Sincerely yours,

Jeffrey Lewis

Enclosed:

1. July 7, 2006 letter to Reuben Jeffery III, Chair, CFTC.
2. July 25,, 2006 essay on the irregularities in the COMEX silver market

Jeffrey Lewis
720 Gordon Terrace, 11H
Chicago, IL 60613

July 7, 2006

Reuben Jeffery III, Chairman
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

Dear Mr. Jeffery:

I am writing to you because I am concerned about the unprecedented size of the continuing short position in silver on the COMEX. The manipulative potential of this ***short*** position in silver which is held by so few investment entities (possibly only one) may be greater than the manipulative potential of the ***long*** position held by the Hunts in the late 70's, a position which authorities finally forced the Hunts to unwind. Why were they forced to unwind their position while the present short position, which may have even more manipulative potential, is allowed to continue? The short position in COMEX silver may or may not be dangerous, but your failure to forcefully address its lack of disruptive potential *is* puzzling. Has your office published a justification for allowing this position to continue? The public needs assurance that another market is not being held hostage by a small group of investors with clout. Many of us small investors are now moving into commodities because we remember the 1970's where inflation and stagflation leeched much of the value out of stocks and bonds.

The silver market itself is comparatively small, but its influence on the price of gold and perceptions of inflation is very large. That is why it is important for you to allay investor fear at this time. Would you please answer the following questions?

1. How is the large and concentrated COMEX short position in silver good for that market? Does it carry less or more potential for manipulation of the silver market than the long position held by the Hunts in the 1970's? Why?

2. Why have the four largest silver shorts recently failed to significantly reduce the size of their short position, while the next four largest shorts have reduced their overall short position so substantially? The short position has in fact become my concentrated.

3. Why have the price swings in COMEX silver become so wild recently? Are the swings related to the size and concentration of the short position?

4. Why has COMEX silver sustained a large and unprecedented short position for so many years, 1994 to present? Why has this not happened in any other commodity ever in the history of the COMEX? Why is silver the exception?

secretary

From: Paul Yusem [yypauly@yahoo.com]
Sent: Monday, July 31, 2006 12:00 PM
To: secretary
Subject: COT Reports

July 31, 2006

sent via email

Ms. Eileen Donovan, Acting Secretary
Commodity Futures Trading Commission
Three LaFayette Center
1155 21st Street, NW
Washington, DC 20581

Re: COT reports

Dear Ms. Donovan,

This is in response to the Federal Register dated June 21, 2006 seeking comment as to whether the COT reports should continue to be published and seeking comments regarding additional issues related to the COT reports.

I am a professional investor and trader that specializes in the gold and silver markets. I also participate in the Bloomberg gold survey. I have utilized the COT reports for years to help with my investment and trading decisions.

Since the CFTC was established to ensure free and fair markets, the continued publication of the COT reports is essential for market participants to properly evaluate a particular market. The Federal Register mentioned that annual reports from the Department of Agriculture started in 1924. The COT reports evolved from an annual report to the current weekly report. Since reports have been published since 1924 in an attempt to provide a level playing field, this is no time to stop the publication of these reports.

In my email, I am trying to establish two main points. The first point is that the COT reports should continue to be published to help provide a level playing field. My second point concerns the categories in the COT report.

When the annual reports started in 1924, the report distinguished between transactions originating in the cash business (entities involved in hedging) and speculation. If an entity was harvesting, mining, refining, or processing a cash commodity, this entity was considered a hedger or commercial. If an entity was nor directly involved in the cash commodity, that entity was considered a speculator.

If an entity is not directly involved in the cash commodity as part of their business, that entity is a speculator. A speculator is subject to position limits and certain margin levels. The current COT report differentiates between small speculators and large speculators. The problem in the current COT report concerns the commercial or hedger category. A hedge fund, bank, or commodity trading advisor is not a

hedger and should not be trading in the commercial category. No exceptions. The problem comes into play when a non-traditional hedger is trading in the commercial category with effectively no position limit.

Let's look at the silver market which highlights this aberrant behavior. Currently, the commercials are net short a little over 200,000,000 ounces of silver at the Comex. I have seen the commercials net short almost 450,000,000 ounces of silver. During my investigation of the silver market, I have not found a single primary silver producer that hedges even one ounce of silver production. If you go to www.silverinstitute.org, you can see that the silver hedging is a relatively trivial amount (less than 10% of net short position) compared to the 200,000,000 ounce net short position on the Comex. What little silver hedging there is consists of purchasing put options and selling call options. There is no legitimate hedging of silver that consists of a significant short position on the Comex that I am aware of. Let me repeat for emphasis: there is no legitimate hedging of silver that consists of a significant short position on the Comex that I am aware of. Period!

It should be noted that I have contacted three news organizations concerning this matter. One of the news organizations thought that it would be easy to disprove my theory and contacted a precious metals consulting company who provided the name of a gold miner that allegedly hedged some of their silver production. The silver was produced as a by-product of their mining operations. I contacted the vice president of investor relations who verified that they purchased some put options and sold some call options as a hedge of their silver production. They confirmed no short position on the Comex. I relayed this information to the news organization who suggested that I contact "60 Minutes". I don't want to contact "60 Minutes". The buck should stop at the CFTC.

This problem in the silver market exists because a handful of banks are trading in the commercial category with essentially no limits. The banks should be trading in the speculator category with position limits just like everyone else. In addition, no entity or small group of companies should be able to control any market.

To summarize. The COT report (which has evolved since the original 1924 report) should continue to be published to help provide a level playing field. Entities that are trading in the commercial category should be removed from the commercial category unless they are actually involved with the cash commodity as their business. The non-hedgers trading in the commercial category should be trading in the speculator category with the appropriate position limits and margin requirements. If the non-hedgers were removed from the commercial category and appropriate position limits enforced, the aberrant behavior of the silver and gold markets would clear up.

Sincerely,

Paul Yusem
720 E. Division St.
Lombard, IL 60148
yypauly@yahoo.com

William B. Houseman
107 Saint Andrews Drive
Saint Simons Island, GA 31522-2431
Tel. 912-634-2189

COT reports

24 July 2006

Ms. Eileen Donovan, Acting Secretary
CFTC
Three Lafayette Center
1155 21st St., NW
Washington, DC 20581

Dear Ms. Donovan:

Thank you for the opportunity to comment on possible changes to COT Reports.

My comments below conform to the order of the eleven questions presented in your notice of a review of the COT reporting program, although no comment will be offered on some questions. I am an investor who falls into the "non-reporting" category.

1. I use information in your COT reports to keep track of the activity of large financial interests in various commodities in which I am interested. I particularly look for activity which might indicate attempts to manipulate markets. I consider COT reports an essential aid in keeping a "level playing field" for both small and large investors.

2. No comment.

3. COT reports are an aid in keeping large financial interests from having an unfair advantage.

4. The commission should continue to publish COT reports, at no less than the current frequency. More frequent and earlier publication should be considered.

5. The addition of "non-traditional commercial positions" to COT reports is appropriate.

6. I'm sure that swap dealers can successfully adapt their methods to remove any potential competitive disadvantage a change in reporting might initially produce. E.g., a current specific schedule can easily be changed to a non-specific schedule.

7. No one that I know will be able to deduce the identity of non-traditional commercials enumerated in revised reports. (See comments following responses to questions, below.) The current threshold of 20 members is appropriate and should be continued.

8. The report format should be the same for all commodities.

9. If there are no non-traditional commercials in a particular commodity, a Zero should be shown.

10. No reduction in the current frequency of reports should be made, for any reason. Daily reports would be an improvement.

11. Most reportable traders who engage in both traditional and non-traditional commercial activity already have computer systems that can easily separate these two categories. I could do this on my home computer in minutes, if necessary.

The CFTC should consider expanding reporting requirements to include the name of the entity holding reportable positions for clients, and the number of long and short positions held should be reported daily, via the internet. The Tokyo Commodity Exchange does this currently, with no ill effects on trading. This would help prevent attempts at market manipulation, make American markets more honest and thereby make the job of the CFTC easier. See the TOCOM site at the below internet link:

http://www.tocom.or.jp/souba/index.html

Thank you for requesting comments concerning this important report.

Sincerely,

William B Houseman

William B. Houseman

Colin L. Walker
430 Montana Circle
Ojai CA 93023

Eileen Donovan, Acting Secretary
Commodity Trading Futures Commission
Three Lafayette Center
1155 21st Street, NW
Washington, DC 20581

Email:secretary@cftc.gov

Subject: COT reports

In my view, discontinuance of the COT reports will be an admission by the CFTC that it is not in any way an agency responsive to the needs of the individual trader in this great nation, but merely in the employ of the money center banks and the GSE's that have enough financial clout to influence many markets, and now will be fully demonstrated to have the CFTC in their pocket as well. This opinion is already widely entrenched due to the lack of response of requests for "oversight" of the few large traders holding huge naked short positions in the silver an gold markets.

In response to your request for comments, I am deeply concerned that the CFTC would consider discontinuing such a popular and insightful report. While the report may need modification, the number and size of exemptions granted by the Commission would seem to demand more transparency, not less. In general, any modification must avoid discontinuing, suspending, or delaying, the Commitments reporting. And the Commission should take precautions to implement report changes in such a way as to maintain continuity with historical data. Absent historical reference, the report becomes nearly unintelligible. My specific responses to your numbered inquiries are as follows:

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Finally, I would request that if the Commission should decide to make changes that could negatively affect the continuation, continuity, or promptness of the COT report, that it submit such proposed changes for further specific public comment.

Signed

secretary

From: Balint Kollath [balint.kollath@gmail.com]
Sent: Monday, July 31, 2006 2:07 PM
To: secretary
Subject: COT reports
Attachments: Dissertation.pdf

Dear Eileen Donovan,

I would like to join the group of those protesters, who would not like to see the COT reports discontinued.
My opinion is that COT data are extremely useful, especially by putting them into a historical perspective. Its academic uses are also great; I personally used them as a basis for my dissertation.
My work has received a prestigious award from the Budapest Stock Exchange (I am from Hungary) which also shows its potentials not only in supporting trading decisions but also to examine the inner workings of futures markets.

I hope that my comments and the attached dissertation work will provide you some help in deciding to keep the COT reporting alive,
Yours truly,
Balint Kollath

Tel.: +36 20 9740454
Email: balint.kollath@gmail.com

ABSTRACT

Commitments of Traders reports are the only sources of dependable information on futures market participants' trading positions. This paper, through its quantitative and qualitative research, utilizes the data provided by these reports to observe and analyze speculators' and commercial traders' activities on different markets over various time frames. A comprehensive statistical analysis of 20 years of price and commitments data is performed, covering 30 futures markets and testing the correlation between certain trader groups' sentiment changes and the following price action. The results are compared to previously conducted studies and universal similarities are found.

Statistical tests confirm that inefficiencies exist on futures markets since certain trader groups on certain markets are found to be consistent forecasters of future price movements. Further analyses of efficiency theories conclude that the psychological factors of risk aversion play a significant role in the dynamics of futures trading.

REVIEW OF MARKET DYNAMICS:
A COMPREHENSIVE STUDY ON THE COMMITMENTS OF TRADERS REPORTS

BÁLINT KOLLÁTH

DISSERTATION
FOR BA (HONS) IN BUSINESS STUDIES
OXFORD BROOKES UNIVERSITY
AND
INTERNATIONAL BUSINESS SCHOOL – BUDAPEST
2002/2006

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Introduction

Successful participants of the business life have learnt the importance of managing risks. They all share the common need of being well protected from those future events which are threatening with strong undesirable impacts. One of the most serious risks corporations face is the loss of profits due to external factors. If such factors are effectively managed, companies have much higher chances to prosper.

The primary factors of profitability are costs and revenues. If costs increase more than revenues do, profit margins start to shrink. Same is the result if revenues decrease at a faster pace than costs. Any one of these effects could be lethal for those companies, which have a cost or revenue structure heavily influenced by external factors. Thus, primary producers and buyers of raw materials, e.g. corn farmers and cereal producers, gold miners and jewellery makers are extremely dependent from market prices.

The primary reason behind the existence of futures markets is to offer valuable services to such corporations. The most basic form of managing price risks is hedging with futures contracts. Hedging is a straightforward practice of offsetting a cash market[1] position by taking an equal but opposite position in the futures market[2]. The following example illustrates the basics of a hedging deal: A cereal producer may fear that corn prices will increase by July, when its raw material inventories are projected to run out. His revenues are fixed, since all of his production is sold at an agreed price to contracted buyers. It is March, and July corn futures are quoted at $2.00 per bushel[3]. The producer knows that he can make a profit if the price of corn remains at $2.00. Though, his profit would be greater if corn prices fell. His break-even is at $3.00 corn, and if corn prices rise above this level, he would actually generate losses. In order to keep business running, satisfy customers and also secure some profits, the producer decides to buy futures on corn at $2.00. If corn prices do go up, he makes money on his futures position, that will offset the increased price he pays for corn in the cash market in July. If corn prices decrease, he loses on the futures position but buys corn cheaper on the spot market. In this case, hedging results the loss of extra profit opportunity.

Although, not all participants of the futures markets are seeking risk reduction. Those traders who are willing to take on the risks are defined as speculators. Their primary

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[1] Also "spot markets", the market for assets that entail immediate (or near immediate) delivery. (Cuthbertson and Nitzsche, 2001, p. 665).

[2] An organized exchange where a variety of commodities and financial instruments are traded for future deliveries in standardized terms

[3] A unit of volume, ca. 35 liters

objective is to achieve profits by successfully anticipating future price movements. Their role in modern exchanges are extremely important, since they are the buyers of risks and suppliers of liquidity. Without them, those who were seeking risk protection would have a much harder job to find a counterparty to whom their risks could be efficiently and economically transferred.

Of course, speculators have to be rewarded for the invaluable services they provide. Their rewards are the gains they achieve by buying low and selling high or selling high and buying back low. Theories on market efficiency would not allow significant excess profits to be made based on the assumption that the price of all securities fully respect all available information. But why is it still very attractive for speculators to be present in the markets? Is it possible that they were able to somehow earn constant profits? But how? The continous increase in derivatives[4] trading volumes suggests[5] that demand for risk management products grows hand in hand with the boom of speculative interests. This implies that both parties must somehow profit from the system. But how can this happen if it is a completely closed circle and every dollar earned by one trader has been lost by another one?

This study through its extensive research and analysis tries to find the answers to these and some other closely related questions by analyzing the historical positions of the key groups of market participants: the hedgers and the speculators. Their history will show how they positioned themselves before the major market trends and which party is the more consistant winner of the marketplace.

The Past and Present of the Risk-Management Industry

Futures trading is originated from the 17th century Japan where surplus rice and silk was collected in warehouses and tickets were issued on standardized quantities for future deliveries (Cecchetti, 2005). The tickets represented the right to take the delivery on mutually agreed conditions. By the sale of tickets, landlords were able to fix the future price of their future supply. The buyers of these tickets – mostly merchants – managed to lock in the future cost of their inventories. Approximately 200 years later, similar forward arrangements started to trade in the United States and were called "to arrive" contracts. As in

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[4] Instruments whose price depends on, or is derived from the price of another asset (Hull, 2005, p. 747)

[5] Based on the statistics published by the Futures Industry Association (FIA), the global associating body of futures markets' participants. FIA has more than 180 corporate members and reaches thousands of industry participants. Its recent volume statistics can be found in Appendix 3.

Japan, the seasonal nature of agricultural production[6] was the core driving force of financial innovation. Japanese tickets and the American "to arrive" contracts shared one important common goal: minimize/eliminate risks concerning the future prices of commodities. By the end of the 1840's the trading volume of these contracts increased so dramatically, that the whole system demanded standardization, organization and centralization. The result was the foundation of the Chicago Board of Trade in 1848, which was followed by the New York Cotton Exchange in 1870 and the New York Coffee Exchange in 1885. The contracts on these exchanges themselves began to be traded in anticipation of changes in the cash market price (Markham, 1986), and soon became the primary sources of price discovery[7].

Nowadays, the main reasons for trading futures are their liquidity and cost advantage over the cash and over-the-counter[8] derivatives[9] products. "Futures are, to someone in the right frame of mind, one of the finest creatures of modern finance one can imagine" (Burghardt, 1999, p. 2.). Futures trading separates price from the underlying product (commodity or financial instrument) which greatly reduces the costs of managing price risk; furthermore, credit risk is also reduced to an absolute minimum, since the exchanges guarantee all contracts.

Futures are one of the most heavily traded financial instruments on the global exchanges. Almost four billion contracts changed hands in 2005 around the world, according to the volume statistics of the Futures Industry Association (FIA); out of which about 42% (ca. 1.7 billion contracts) were traded in the United States. The fact that three out of the six largest exchanges are located in the U.S. also shows the country's dominance over the world's futures trading. Figure A-3.2 in Appendix 3. illustrates the changes in futures trading volume from 1995 to 2005 and also indicates how their percentage share from global volume varied over time. The observed trends clearly show that America's dominance is intact and growing.

In order to keep markets of such importance safe from fraud, the United States Congress founded the Commodity Futures Trading Commission (CFTC) and granted it all the rights necessary to effectively monitor, control and regulate futures markets and its participants. Since 1974, the CFTC continously collects data on the trading activities of large traders and

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[6] Traditionally harvest was brought to market once a year creating a seasonal oversupply, which drove prices to extremely low levels. Other times of the year inadequate warehousing, difficult and inefficient transportation enhanced the effects of shortages. These times excessive demand pushed prices to extremely high levels.

[7] The process of determining the price level of a commodity based on supply and demand factors. (NFA, 2004)

[8] All transactions that do not take place on organized exchanges are said to be executed in the over-the-counter market

[9] Financial instruments, that derive their value from an underlying commodity or financial product

examines the results in search of suspicious, manipulative behaviour. Another aim of the CFTC is to keep the public informed enough to conduct sound investment decisions. For this reason, the commission publishes a weekly snapshot of key trader groups' positions, in the form of comprehensive reports called Commitments of Traders (COT) reports. The invaluable information provided by these reports will serve as the main data source of this paper's research.

Appendix 1. is dedicated for those readers who are unfamiliar with futures trading basics and are sometimes confused by its complex terminology. It is a valuable source of information for those readers as well, who would not have completely undertood the introduction paragraphs without the comments/footnotes provided on the bottom of the page. Appendix 2. compares futures trading to stock trading, which also helps the reader to grab additional knowledge in the topic.

Aim and structure of the study

The aim of this paper is to review the dynamics of futures markets by the examination of their participants' behaviour. The easiest way to observe how typical traders (e.g. large hedgers, small or large speculators) tend to use futures markets is to analyze their historical positions. The pattern of their past behaviour can be good indicators of their future performance. To conduct such analysis, reliable information on the positions of the representative trader groups are needed. The only dependable sources of such information are the already mentioned Commitments of Traders (COT) reports.

Chapter 1. is entirely dedicated to the presentation of COT reports. It details their purpose and content, and also comments on their long history. This section also contains a full analysis of an actual report.

While Chapter 1. examines a single report, the studies presented in Chapter 2. analyze long-term changes in numerous reports. Most of the sources are investment journals and books, written with the primary objective of exploiting trading opportunities arising from proper data interpretation. The reviewed papers are listed in a chronological order, since the latter ones originate themselves from the older one's findings. The only exception is the last review, which presents a theory that may explain the empirical findings of the preceding analyses.

The theories and empirical findings in Chapter 2. serve as a basis for further analyses. Chapter 3. details and summarizes the results of a comprehensive statistical research, which

covers 30 futures markets and 20 years of historical price and commitments[10] data. The aim of the analysis is to find significant correlations between extreme trader commitments and developing price trends. At the end of this section, the results of the study are compared to the reviewed sources' findings.

Chapter 4. puts the various pieces of information together and concludes on the dynamics of futures' markets. This section also seeks answers to the questions regarding the origins of the structural differences that exist between markets of different industries.

The Appendices section covers a wide range of background information, concerning most of the topics discussed. They also serve as a constant reference for the studies presented in the coming chapters.

[10] The word commitment refers to committed positions. If a trader has more long than short contracts, he is committed to the buy side. Conversely, if someone has more shorts than longs, he is committed to sell.

1. Understanding the Commitments of Traders (COT) reports

The Commitments of Traders reports provide valuable insight to the dynamics of futures markets. They are the only sources of dependable information on the market positions of key trader groups: the large hedgers (commercials), the large speculators (non-commercials) and the small traders. Reports are published weekly and provide a snapshot of each group's positions. Viewed from a historical perspective, data on commitments is generally a quantification of sentiment levels among various traders (Andersen, 2002). The data is collected, analyzed and distributed by the Commodity Futures Trading Commission:

1.1 About the Commodity Futures Trading Commission

The CFTC is one of several key financial regulatory agencies in the United States. Its sister agencies include the Securities and Exchange Commission (SEC) and the Federal Reserve Board. Just as the SEC regulates the stock markets, CFTC regulates the risk-management markets: the futures and options markets. Presently the commission oversees the trading of more than a billion futures and option contracts per year; contracts with the notional value of ca. USD 1.5 trillion per day.

The Commodity Futures Trading Commission's mission is to ensure the integrity of futures markets through the protection of market users and the public from fraud, manipulation and abusive practices (CFTC, 2006). In order to protect public interest, the commission closely monitors and controls the regulation and policy developments and also participates in litigations, administrative and civil proceedings. It also evaluates filings for new futures and options contracts to ensure that they meet regulatory standards. In order to foster open, competitive, and financially sound markets, the CFTC's specialists continously analyze the effects of various commission and industry actions, events. They also provide regulatory and compliance oversight, conduct investigations on alleged fraud, market manipulations and violations of trading practices (CFTC, 2006). Other specialists examine records and operations in futures exchanges, clearinghouses and trading companies. They check for compliance with CFTC rules on financial requirements, sales and trade practices (CFTC, 2003).

Although the federal government has regulated trading and commodity futures markets from the 1920s, the CFTC has been in charge with this responsibility since 1974. It has regional offices in the major trading centers of the U.S.: New York City, Chicago, Kansas City and Minneapolis. Its headquarters is located in Washington, DC.

1.2 The purpose of the COT reports

According to the Commodity Futures Trading Commission, the COT reports are "another step forward in the policy of providing the public with current and basic data on futures markets operations" (CFTC, 2004). The reports are released with the intention of broad distribution and understanding.

1.3 History and the schedule of releases

The history of the publicly available reports on trader groups' positions goes back to 1962 when data on 13 agricultural commodities were released by the U.S. Department of Agriculture (USDA). Jiler (1985) provides a summarized insight to the developments of these early years:

> For many years, The Commodity Exchange Authority of the USDA issued a monthly publication entitled "Commitments of Traders Reports" which broke down month-end open interest of "Reporting" (Large) and "Non-Reporting" (Small and/or Foreign) traders. The statistical tables in the report indicated how open interest is allocated among large hedgers and speculators. And, by subtracting large traders' commitments from total open interest, the positions of small traders (both speculative and hedging) are also derived and presented in tabular form. In 1976, the new Commodity Futures Trading Commission (CFTC) continued these reports, and expanded them to include markets not previously covered, as well as new active futures markets. Because of computer and budgetary problems, the reports were discontinued from January 1982 through November of that year. The reports were resumed in February, 1983 to include statistics for December of 1982, and again expanded to cover the dynamic new financial futures markets. (Jiler, 1985, p. 1.)

Since the early 1980's the format and also the release schedule of the reports have changed several times. Before 1986, the reports were compiled on an end-of-month basis and published on the 11th or 12th calendar day of the following month; mid-month figures became available from January 31, 1986. From September 30, 1992 to the beginning of 2000, bi-weekly reports were released. Since then datasets are available on a weekly basis[11].

Throughout these years – in order to cope with the changing marketplace – the reporting levels[12] were also modified several times. These changes were essential in order to continuously create reports that are true reflections of real market structure.

1.4 Content of the reports

COT reports are providing a breakdown of each Tuesday's open interest[13] for markets in which 20 or more traders hold positions equal to or above the reporting levels established by the CFTC (current reporting levels can be found in Appendix 7).

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[11] The release schedule of reports for 2006 is listed in Appendix 8.

[12] A trader get qualified as commercial/non-commercial if he holds more contracts than the reporting level. The actual levels are listed in Appendix 7.

1.5 Types of the reports

The reports are published in two different formats. The so called "short" reports are providing the key positional data of key trader groups along with the following information:

- Changes in the positions from last week
- Positions' share in the total outstanding contracts (open interest)
- Number of traders in each group and commitment

The long report, in addition to this information groups the data by crop year, where appropriate, and shows the concentration of positions held by the largest four and eight traders.

Furthermore, reports are compiled for "futures only" and "futures and options combined" positions. The latter includes large options positions of reporting market participants, that are converted to futures equivalents[14].

1.6 Reading the report

The interpretation of commitments of traders data is presented by the reading of the short form report on the "futures only" positions in silver, dated December 27, 2005:

```
SILVER - COMMODITY EXCHANGE INC.                                    Code-084691
FUTURES ONLY POSITIONS AS OF 12/27/05                              |
-------------------------------------------------------------------| NONREPORTABLE
      NON-COMMERCIAL       |   COMMERCIAL    |      TOTAL         |   POSITIONS
-------------------------|-----------------|-----------------|-----------------
  LONG  | SHORT  |SPREADS |  LONG  | SHORT  |  LONG  | SHORT  |  LONG  | SHORT
-------------------------------------------------------------------------------
(CONTRACTS OF 5,000 TROY OUNCES)                    OPEN INTEREST:      135,028
COMMITMENTS
  69,081    7,888    6,532   26,004  109,584  101,617  124,004   33,411   11,024

CHANGES FROM 12/20/05 (CHANGE IN OPEN INTEREST:      1,428)
     178      -39      323     -148      762      353    1,046    1,075      382

PERCENT OF OPEN INTEREST FOR EACH CATEGORY OF TRADERS
    51.2      5.8      4.8     19.3     81.2     75.3     91.8     24.7      8.2

NUMBER OF TRADERS IN EACH CATEGORY (TOTAL TRADERS:     169)
      96       22       23       18       45      124       82
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Figure 1.1

There are nine columns, each representing a certain position of the Non-commercials (large traders), Commercials (large hedgers), and Non-reportables (small traders). The total

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[13] A measure of how many futures contracts in a given commodity exist at a particular point in time. (Strong, 2003, p. 636.)

[14] Options positions are made equivalent to futures position by a procedure called delta adjustment. The „options and futures combined" reports are available since 1995. The statistical analysis presented in Chapter 3. will use „futures only" positions.

column sums up the non-commercial and commercial positions. Each position has longs[15] and shorts[16] available, except the Large Traders, which also has spreading. Commercial traders are not perceived as spread[17] traders, since they are hedging against an actual commodity. The small traders may have a spread as a position, but those are not reported because of their relatively small size.

The first row of numbers, the "Commitments" line reports the positional information of each identified group. The first values listed are the long, short, and spreading commitments of the Non-commercials. From these information, the net position of large traders can be calculated, which is 61,193 contracts (69,081 – 7,888). It means that non-commercials are committed to a long position by 61,193 contracts; more than they are to the short side. There is no need to add the spreading positions, since that would not change the net value (6,532 would be added to both sides). The same process can be applied for the commercials' positions (subtract 109,584 short from 26,004 long positions), which results in a net short position of 83,580 contracts. The net values of small traders are calculated similarly, they are net long 22,387 contracts (33,411 contracts long and 11,024 contracts short).

The sum of all respective positions are zero, since they neutralize each other: the total long positions will equal the total short positions for all three groups (spreading information is not included since it is neutral).

The "Changes from..." line reports the changes in commitments since the last report. For example Commercial shorts increased by 762 contracts from December 20, 2005, while longs dropped by 148. The information provided here is not too important for long-term analyses, since those studies deal with hundreds of weeks' data.

The "Percent of open interest for each category of traders" lists the results of a simple calculation, dividing each positional data by the total open interest. For example the 80.2% value under Commercial shorts means that there are only 2 contracts out of 10 which are not sold by commercials. The 80.2% figure comes from dividing 109,584 (commercial shorts) by 135,028 (total open interest). These figures are good measures of the relative commitments of traders and are frequently used in various types of analyses.

Finally, the last line reports the number of different traders representing the major groups of market participants and quantifies their numerical presence on both sides of the market.

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[15] A position involving the purchase of an asset. (Hull, 2005, p. 752)

[16] A position assumed when traders sell an asset that they do not own.

[17] One spread is the simultenous ownership of one long and one short contract

1.7 Participants of the futures markets

There are three groups of futures market participants: the producers of goods, the primary consumers of those goods and the investors not directly involved with the goods. As an example, the corn farmer is a primary producer in the corn market and the cerealmaker is a primary consumer. The producer and the primary consumer are referred to as commercials or hedgers. The investors are also referred to as speculators. As a group, the investor's role is to balance the net market demand of the commercial participants (Lightner, 1999). For example, if farmers want to sell more corn than cerealmakers want to buy, there is a shortage of commercial demand on the buy side of the market. At that point, the commercials need an outside source of demand willing to enter the market to buy corn futures.

1.7.1 Commercials

Commercial hedgers are institutions and individuals who operate on the cash side of the business in the underlying commodity, like farming and mining companies, international businesses and processors.

Traders get classified as commercials by filing a statement with the CFTC that it is commercially "engaged in business activities hedged by the use of the futures or option markets" (CFTC, 2004). The CFTC monitors the classification for accuracy and consistency and may reclassify a trader at its own discretion. A single trading entity cannot be classified as both commercial and non-commercial for the same commodity.

When prices of certain commodities are high, the commercials will hedge their futures sales by selling futures to minimize risk. If prices start to fall, they are protected by their futures positions. Commercials are exempt from position limits and post smaller margins[18] than speculators. They are perceived as the most influential group in the commodities markets, because of their analysts and intelligence networks that can process a variety of variables (Andersen, 2002).

1.7.2 Large Speculators (Non-commercials)

Unlike commercials (whose goal is to minimize risk), large speculators accept risk in return for profit opportunity. Those traders' positions are collected in this category who are

[18] Collateral that must be posted to transact in a futures or options contract, in order to insure the clearing house against credit risk (Cuthbertson and Nitzsche, 2001, p. 660)

not operating on the cash markets. Some of the positions belong to wealthy individual traders, but the majority of volume comes from commodity funds[19].

Large speculators tend to be trend-followers – their general tactic is to "ride the waves". They tend to increase their long/short positions as prices advance/decline. The majority of speculators are constantly seeking good positions in the direction of the developing trend.

1.7.3 Small Speculators (Non-reportables)

This category collects the positions of those speculators whose trading activities are below the reportable limits. Since the numbers include small commercial hedgers as well, this group tends to be neutral in comparison to other market participants. Meanwhile, many sources regard small traders as the example of what not to do in futures trading.

Results of the studies presented in the following will show that their performance varies market by market.

[19] Commodity funds are large pools of money, that are invested into futures contracts. Their ultimate goal is to achieve trading profits by buying low and selling high or vica versa.

2. Review of selected studies that are based on COT analysis

The following chapter is dedicated to present the most outstanding studies conducted on the basis of COT data interpretation. The first such publication is William J. Jiler's *The forecasting methodology*, published in the 1985 Commodity Research Bureau yearbook. The aim of Jiler's study was to examine the "forecasting performance" of the major identifiable groups of market participants. He assumed that the larger participants have superior market insights and also due to the sizes of their positions they can be the primary originators of self-fulfilling prophecies[20].

2.1 Jiler's (1985) analysis

From historical reports Mr. Jiler averages the net positions of commercials, the large and the small traders in order to determine their "normal" positions at any given time of the year. His methodology and results are detailed in the following excerpt:

> We compared each group's actual position with their so-called normal position. Whenever their positions deviated materially from the norm, we took it as a measure of their bullish[21] or bearish[22] attitude on the market. By studying subsequent price movements, we were able to establish "track records" for each of the groups. As anticipated, we found that Large Hedgers and Large Speculators had the best forecasting records, and the Small Traders the worst, by far. We were somewhat surprised to find that the Large Hedgers were consistently superior to the Large Speculators. However, the predictive results for the Large Speculators varied widely from market to market. (Jiler, 1985, p. 1.)

Jiler also mentions that 40 % or larger deviations from the long-term average positions are significant.

> The most bullish configuration would show large hedgers heavily net long more than normal, large speculators clearly net long, small traders heavily net short more than seasonal. The shades of bullishness are varied all the way to the most bearish configuration which would have these groups in opposite positions-large hedgers heavily net short, etc. (Jiler, 1985, p. 2.)

He also provides examples on real signals he received, based on the above findings. One of these examples analyze the sugar market between 1983-1985. According to Mr. Jiler's calculations the "large hedgers' average net short position was over 20% larger than their previous 6-year average. Small traders, despite tremendous losses, averaged almost 20% higher net long positions throughout the entire debacle". He received these signals in August, 1983 and stayed bearish on the market until the prices dropped below ¢4.00. Figure 2.1 shows how the price of sugar and also the net commitments of traders changed over this timeframe.

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[20] Self-fulfilling prophecy is a prediction that actually causes itself to become true.

[21] Bullish traders expect rising prices

[22] Bearish traders expect falling prices

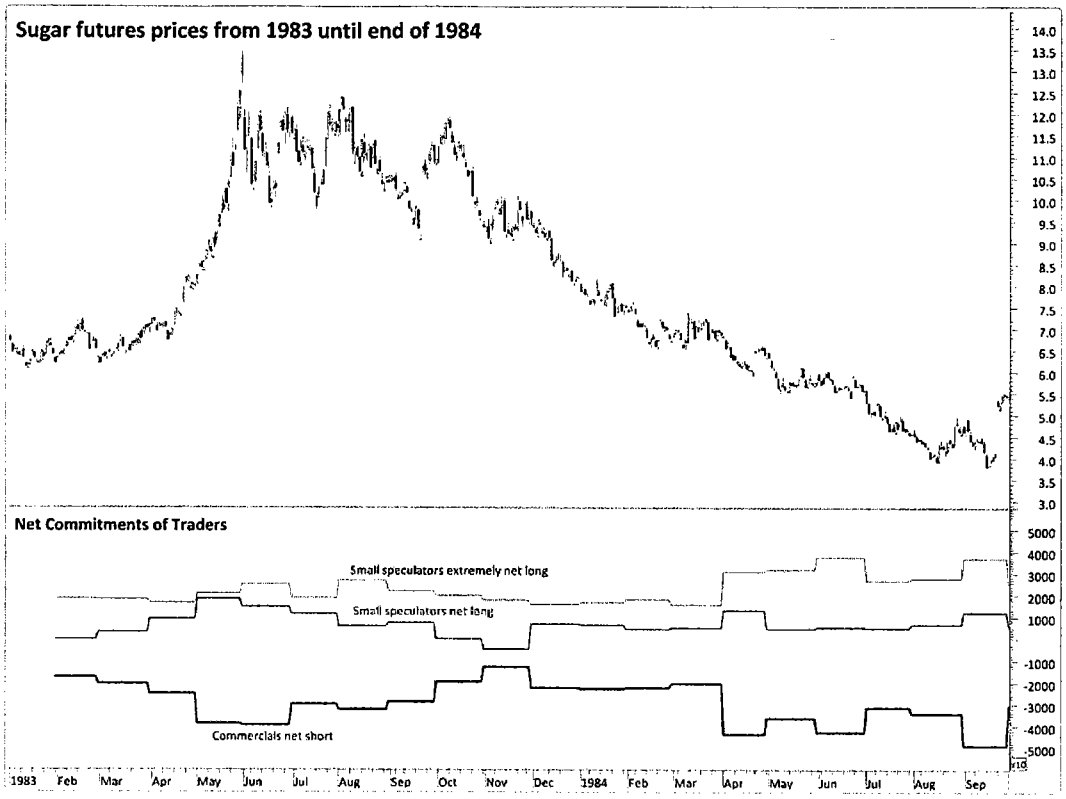

Figure 2.1

Another example shows similar patterns in the wheat market in 1983. End of August the large hedgers were 36% net short and small traders were 24% net long above their 10-year averages. The pattern was just like in the previous example, prices topped out and started to trend lower. Figure 2.2 shows how the price of wheat and also the net commitments of traders changed over this timeframe.

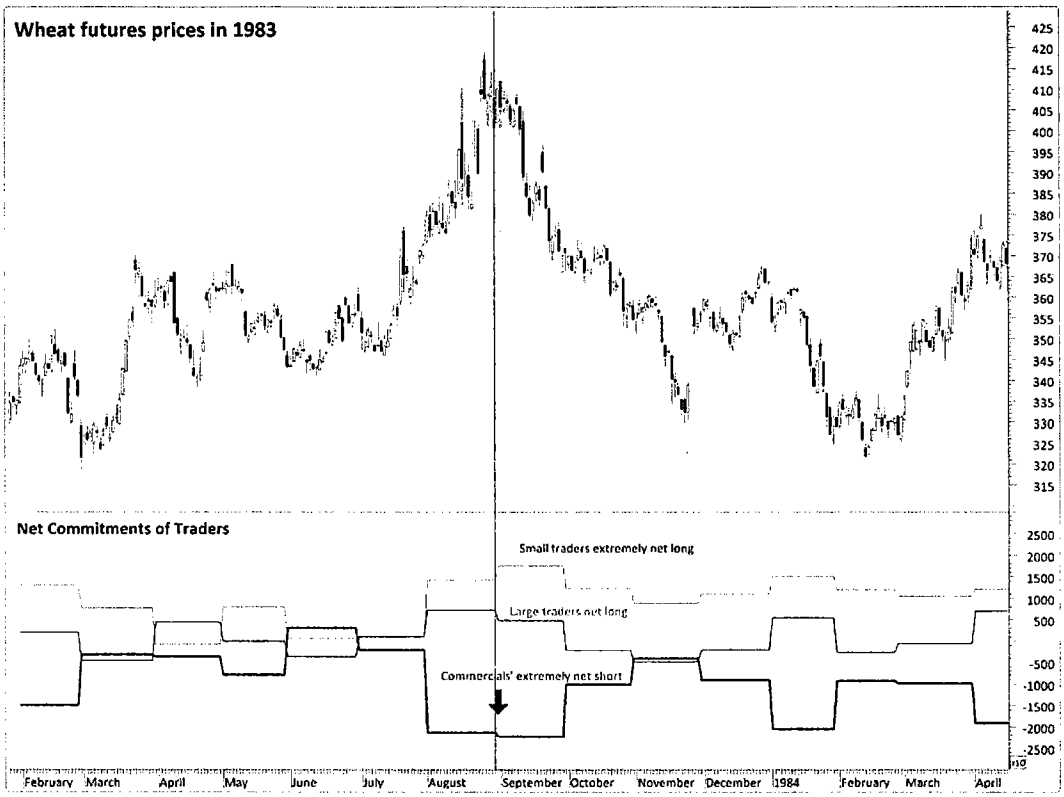

Figure 2.2

Created in MetaStock from Equis International

Finally he compares the traders' activities in the corn and soybeans markets. He shows how his analysis worked in case of corn but failed in soybeans. The following graph (Figure 2.3) shows how well positioned were the commercial players before the prices took off in July and August.

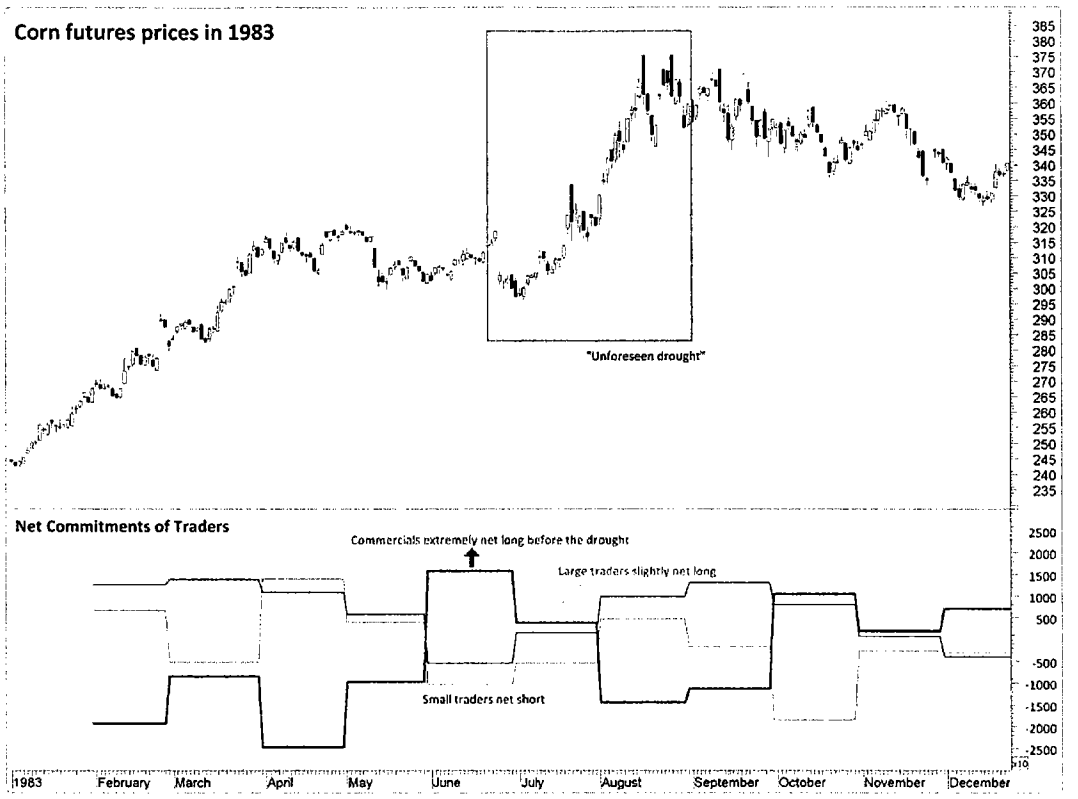

Figure 2.3

In case of soybeans, the situation was different: commercials stayed net short before the prices started to increase. Small traders were net long, 20% above their 10-year average. Mr. Jiler explains these structural differences between the corn and soybeans market with the "unforeseen drought" of that summer. The following graph (Figure 2.4) shows how the market participants positioned themselves. *It is interesting to note, that while commercials failed to position themselves better before the prices started to increase, they succcessfully found its top, and built up extreme short positions on the extreme price levels (around $9.50).*

Jiller's analysis ends with a brief summary which stresses the importance and consistency of the COT data but also admits that there are also "dramatic exceptions". He advises to use other fundamental and/or technical tools to increase the price forecasting probabilities. He concludes the study with the following final thoughts:

> International developments, weather, and politically-motivated legislation are among the unpredictable forces that can change the direction of the markets in an instant. There is no master key that can unlock all the doors to successful price forecasting. Nevertheless, we believe that the proper interpretation of the "Commitments of Traders" reports is valuable and belongs on the analyst's key ring. (Jiler, 1985, p. 3.)

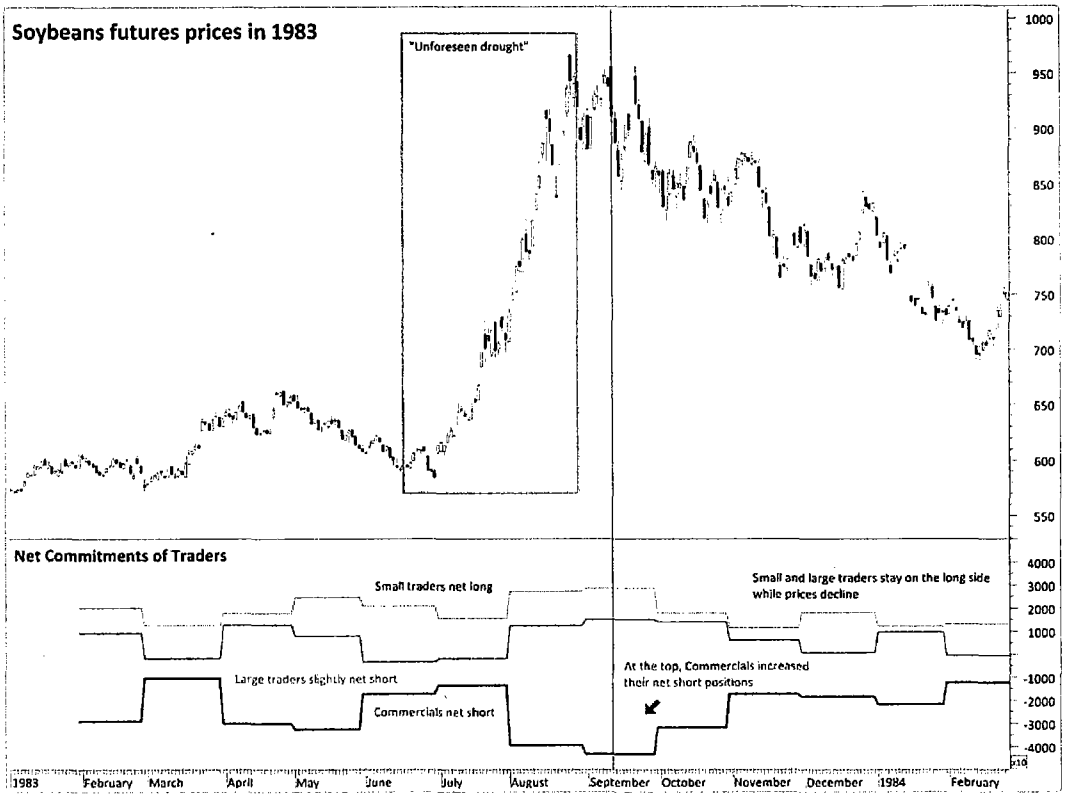

Figure 2.4

Created in MetaStock from Equis International

2.2 Briese and the COT index (1990)

Stephen E. Briese is a full-time private trader who began trading in 1973. He was among the first people who studied and effectively used the COT data for supporting investment decisions. According to his website (Insidercapital.com), during the 1970s he hired couriers to pick up the COT printed reports in New York and Chicago to rush them to his doorsteps the soonest possible. Ha also led a letter writing campaign to get the CFTC to release reports more frequently than once a month and electronically. His first publication in the May, 1990 issue of *Technical Analysis of Stocks & Commodities* magazine details his methods of analyses and introduces the COT Index.

In the article Briese compares traditional sentiment indicators (based on trader/public polls) to the COT data. He explains that "using actual market positions eliminates the margin of error inherent in the polling process" and highlights the fact that "COT reports are the only sources of factual insights into the market positions of key trader groups" (Briese, 1990, p. 1.). He also refines the formula of the COT Index which was first developed by Curtis

Arnold[23]. This index is generally a measure of relativity; it compares the current net position of the given group with a certain number of previous reports.

$$\text{COT Index} = \frac{\text{Current Net Position} - \text{The Minimum Net Position in the lookback period}}{\text{The Maximum Net Position in the lookback period} - \text{The Minimum Net Position in the lookback period}}$$

As previously Jiler (1985), Briese (1990) also takes sugar as an example. He examines the period from 1985-1990, and calculates the COT Index values on commercials. The following graph (Figure 2.5) shows the net commitments of the three trader groups and presents the calculated index values as well. Since long-term time series are analyzed, a 2-years lookback period is applied. The horizontal green line separates the 80% or higher readings of the index and signal a buy scenario. Adversely, if the index crosses the horizontal red line (20% or lower), a sale is signalled. Mr. Briese comments the findings of his analysis:

> The correlation between price and C.O.T. Index reveals that commercials have been consistently reliable guides to important trend changes in the sugar market. Good correlation is indicated by a mirror image relationship between the price and C.O.T. Index lines. ... Each intermediate high was coincident with extreme commercial bearishness reflected by zero C.O.T. readings. Commercials have done a remarkable job of managing the four-year bull market - covering a portion of their short positions when reactions approached the up trendline and letting them back out at high levels when each intermediate rally became over-extended. (Briese, 1990, p. 3.)

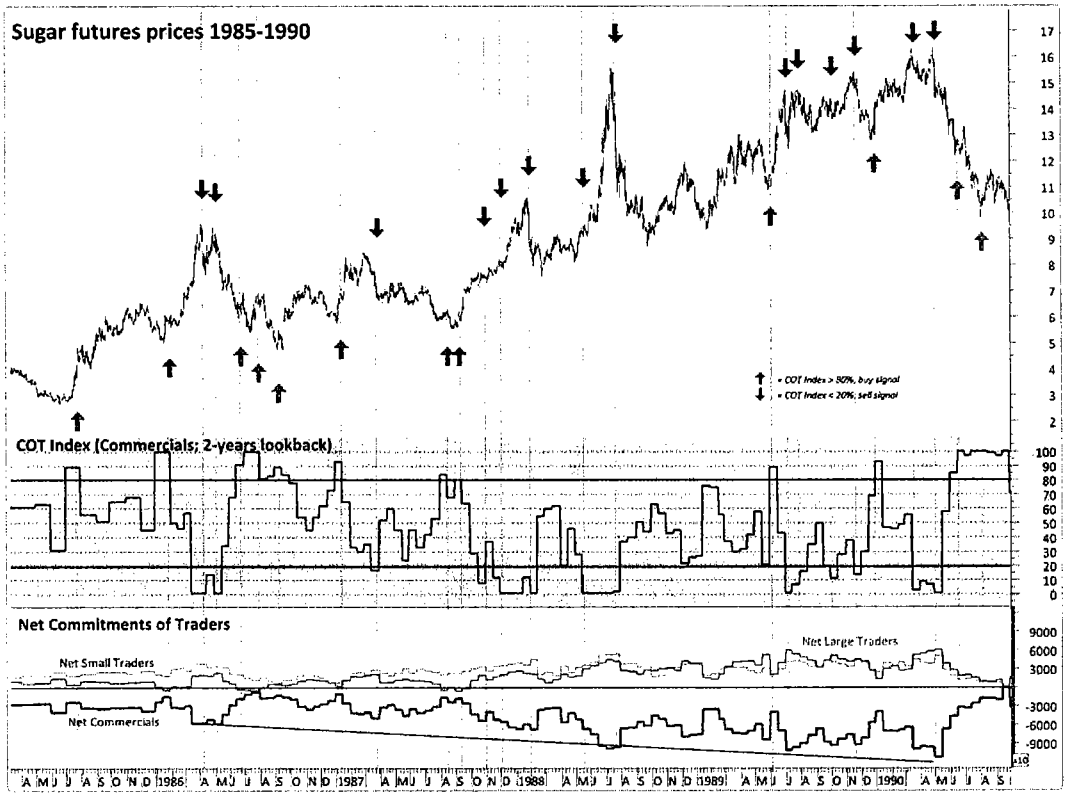

Figure 2.5

Created in MetaStock from Equis International

[23] Curtis Arnold is a successful trader and author of several bestselling investment books on commodity futures trading.

Briese's next example analyzes the S&P 500 stock index futures contract in the same five year timeframe (1985-1990). With this example he proves that the COT Index is a more versatile and useable tool in price forecasting than the raw net commercials data:

> Note that the patterns in the net-position graph show little resemblance[24] to the sugar chart *(compare Figure 2.5 and 2.6)*. Yet the C.O.T. Index imparts immediate reference. The advantage of the C.O.T. Index is that it is sensitive to distinct net position patterns in individual markets. As you can see, commercials hold an enviable track record in the S&P 500 market as well. In Figure 2a *(here Figure 6.)*, up arrows indicate buy signals and down arrows are sell signals based on the following rules of thumb: A buy is signaled when the C.O.T. Index reaches 90 - 100%, a sell signal is a C.O.T. reading below 5%. These thresholds can be loosened to 75% and 25%, respectively, if the C.O.T. Index moves more than 50 points in one month. A close inspection reveals that commercials signaled the 1986, 1987 and 1989 rallies and gave timely signals of the October 1987 and October 1989 plunges. All of these signals were available well ahead of the subsequent price action. In fact, despite the one-month intervals between reports, the C.O.T. Index tends to be a leading indicator, particularly on sell signals. (Briese, 1990, p. 3.)

The signal lines mentioned previously have been added to the COT Index chart on Figure 6. and are marked by bold and normal green and red horizontal lines. The larger green arrows in the main charting area represent strong buy signals based on COT Index readings above 90%, while the small ones indicate the "loosened" signals. Conversely, large red arrows represent strong sell indication; small ones are generated by the 25% or less index readings.

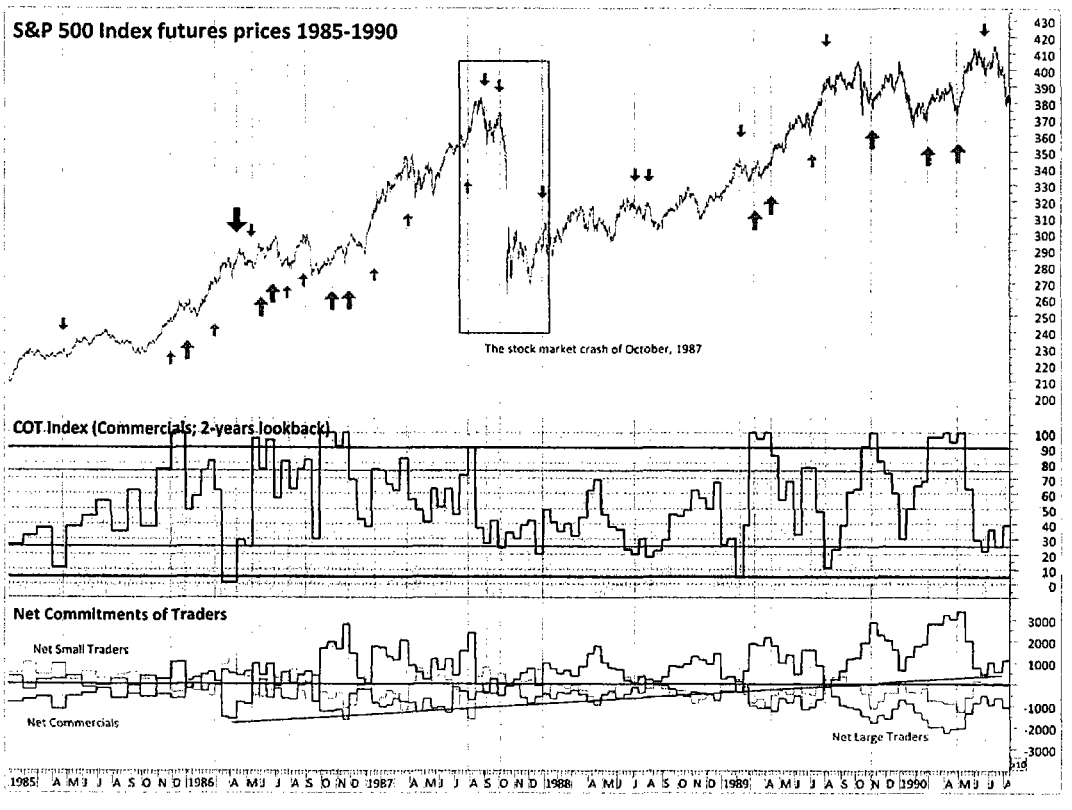

Figure 2.6

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[24] Briese highlights that on the sugar chart the commercials' net position is trending downwards, while in case of the S&Ps it is upwards. (Both trends have been marked on the charts)

Based on further analyses Briese found, that the commercials tend to be the longest timeframe traders and show consistently better trading performance than the other two groups:

> Commercials' hedging strategy is tied to fundamental supply and demand considerations that don't change as often as most traders' perceptions. Also, the sheer size of their market holdings (commercials are exempt from position limits imposed on other traders by the CFTC) makes in-and-out trading impractical. (Briese, 1990, p. 4.)

Briese also mentions that his testings showed the performances of small and large traders equal, on average.

In the final part of his study Briese takes a look at gold and shows an example on the unreliable commercial activities:

> For gold, an important change in net positions occurred during September 1989, although the significance of the changing market positions may not have been apparent on the net-position chart until a month or two later. Commercial dumping of long positions resulted in a 77-point one-month drop in the C.O.T. Index to a zero reading. Traders who had been following this data were aware that commercials had been consistently on the wrong side of the gold market. (My testing showed commercial reliability in gold at only 33%.) Traders aware of these developments were watching for confirmation of a trend reversal and anticipating that commercials could be wrong again. (Briese, 1990, p. 5.)

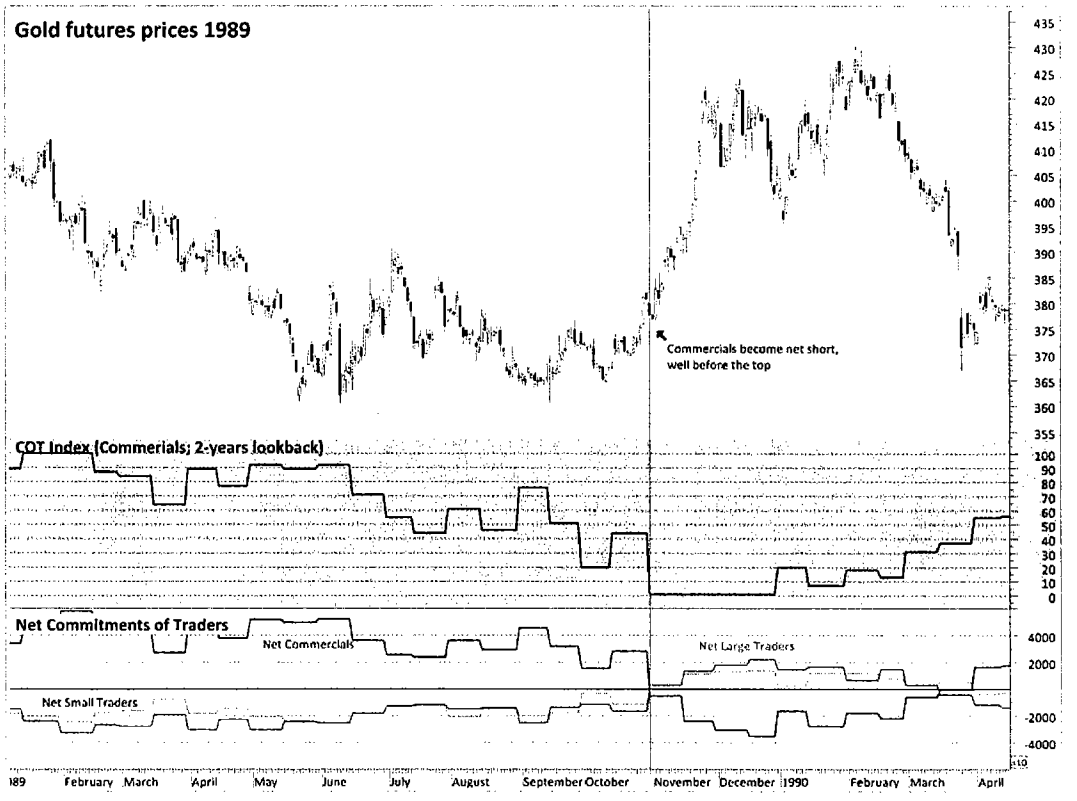

Figure 2.7

2.3 Barrie's seasonality tests on the COT Index (1996)

Scott W. Barrie is a Commodity Trading Advisor (CTA) and the president of Commodity Futures and Equity Analytics LLC, a firm that prepares special market analyses for brokerage companies, hedge funds and individual traders. In 1996 Mr. Barrie published two studies on the past performances of COT Indexes. Based on his extensive research, he advises to view the COT information in a seasonal context.

His first article[25] takes corn futures as an example to prove his findings. He measures performance by simulating actual trades. The primary tool he uses for generating trading signals is the 12-period lookback COT Index. He enters into long or short trades based on these signals and calculates the returns for fixed holding periods of 5, 10, 15, 20, 25 and 30 days. His research covers about 15 years of historical data.

Barrie's tests found that during April, the commercials are less reliable indicators of future price movements than they become later in June or July. He assumes that the status of natural production and consumption cycle has an effect on the speculative accuracy of the trader groups:

> The probable reason for this phenomenon is most likely the nature of the commercial hedger. Commercial hedgers are, more often than not, fundamental traders. As such, they need to have a crop in the ground before they can accurately gauge the potential size (or yield) and quality of the crop. Since corn is typically planted in late April and early May, the commercial hedgers have no information advantage over the rest of the traders, and so they are likely to fall victim to the same perils as other traders: losses. (Barrie, The COT Index, 1996, p. 5.)

> We are all familiar with the commonly touted statistic that roughly 80% of the participants in the futures market lose money. Since the commercial hedgers at times have no information edge, such as during April when the corn market is trading almost entirely on market expectations of a crop that has not yet been planted, the commercial hedgers are likely to be as inaccurate as the rest of the crowd. And if they are as inaccurate as the rest of the crowd typically is, the best strategy may be to fade[26] the commercial hedgers. (Barrie, The COT Index, 1996, p. 5.)

Doing the opposite of what commercials do in April resulted in the extensive gains in all fixed time intervals. Appendix 9. contains the details of Barrie's tests, including the exact results.

In two months, however, the whole scenario changes and the commericals' reliability becomes much better. The reasons behind these developments are discussed by Mr. Barrie as follows:

> By June, the crop has already passed its most critical development stage, and the commercials, with their broad understanding of the fundamentals, should have an information advantage that can be followed...(Barrie, The COT Index, 1996, p. 8.)

---

[25] Article's title is *The COT Index*, published in the Technical Analysis of Stocks & Commodities magazine in Septermber, 1996

[26] Fade = to do the opposite

The author concludes that the seasonal nature of certain markets can disturb the commercials edge over the rest of the market and urges to apply COT information to existing seasonal trading strategies.

In his second publication, Barrie takes the futures contract of pork bellies as an example. He regards the conventional interpretations of the COT reports the most accurate for meats, especially for pork bellies. This view is supported by Bianco (1996) as well:

> ...the pork belly market is the only one besides hogs with more speculators than commercials or hedgers. The pork belly market also has, by several measures, more volatility than any other futures market. So if you use that as the extreme measurement, then that's what a speculative market is all about. When you have too many speculators and not enough commercial interest, or value players, if you will, to offset the speculators, the market tends to get very volatile... (Bianco, 1996, p. 5.)

Barrie uses the same techniques to measure the key trader groups' reliability as he used analyzing corn futures. The results of his studies show[27] a very bad track record of small speculators and advises to take the contrarian positions[28] whenever they turn extremely bullish or bearish on the market. One of his final thoughts is also related to this observation:

> Due to the extremely speculative nature of the pork belly market, it makes sense that the extreme readings in the small speculator category portray such excellent contrary signals. Small speculators typically use a herd mentality, and they only get bullish when everyone else is bullish, and bearish when everyone else is bearish. It is our belief that markets tend to reach extremes when the bulk of participants have already put on their position. Markets don't top out with increased selling, but for lack of buying. Bottoms tend to be made when the last seller has sold, not because the "smart money" is buying at the bottom. The small speculators have a tendency to be the last in, and therefore their position makes an excellent contrary indicator. (Barrie, Pork Bellies and the COT Index, 1996, p. 7.)

His final conclusions further confirm the commecials' and large speculators' edge over the small ones but adds that "their interaction cannot be viewed in a vacuum"; all groups of market participants have strengths and weaknesses, which must be well understood.

2.4 Interview with Jim Bianco (2004)

Krautkramer's (2004) article about the COT reports includes a short interview with a fixed income analyst, called Jim Bianco. The discussion is no longer than half a page but it contains several valuable information.

Mr. Bianco shares the common view that "commercial hedgers have been right the vast majority of time and the speculators wrong". He takes the S&P 500 stock index futures as an example between 1993 and 2000. During this time, large speculators were net short the contract every week, except for five, while commercials were net long more than 95% of the time. Given that the S&P 500 went from 400 to 1500 in that time span, and their positions were so called "naked shorts", "Bianco wondered how speculators managed to stay alive".

---

[27] His results can be found in Appendix 5.2

[28] Opposite positions

He explains this phenomenon with the increasing commission income trading houses received due to the increase in trading volume. Figure 2.8 shows the futures prices of the S&P 500 Index as well as the key trader groups' positions.

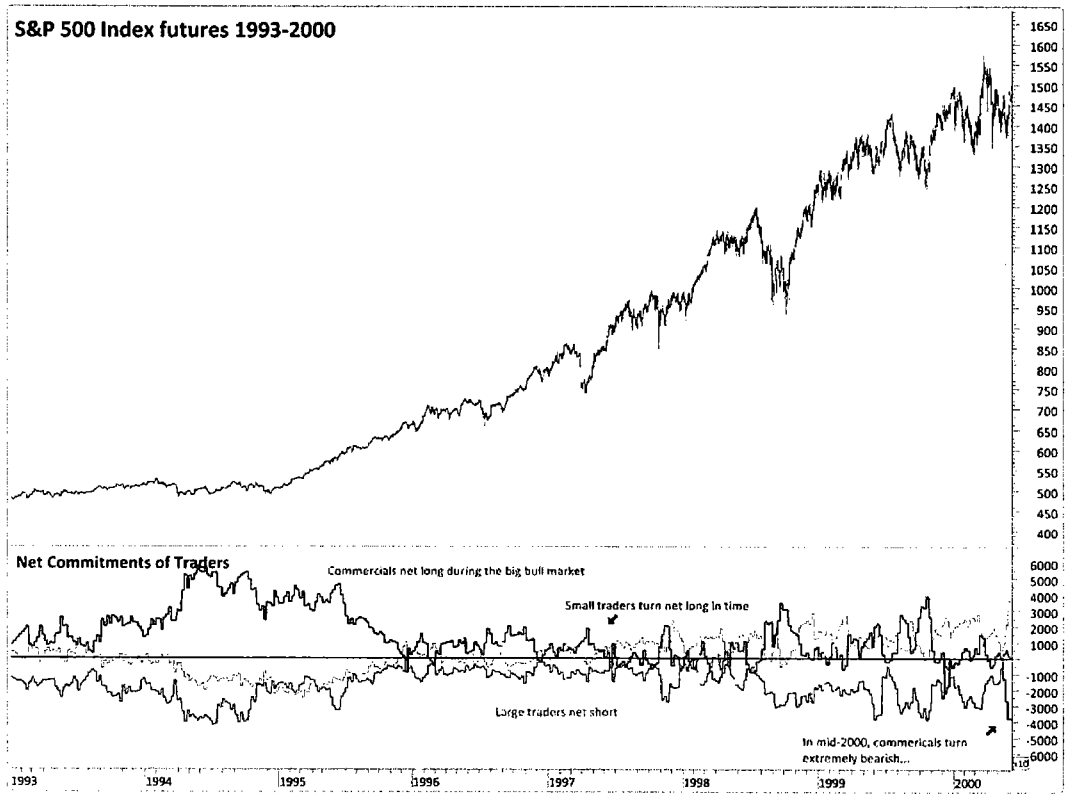

Figure 2.8

Created in MetaStock from Equis International

Bianco's other example takes crude oil futures to present his observation on commercials:

> When commercial hedgers get it wrong, it's usually in a "major way" where they miss a major secular[29] change. For example, commercial hedgers were net short crude futures for much of 1998 and 1999 as the commodity plunged to $10 a barrel, but remained so during the initial phase of its recovery to above $30… (Krautkramer, 2004, p. 3.)

The following chart (Figure 2.9) illustrates the time period that Mr. Bianco mentioned. For almost a full year (in 1999) commercials had near-extreme short positions, while the crude futures prices rallied more than 130%. Later, they reversed those positions, and were able to profit from the later advances.

[29] A long-term trend as opposed to a cyclical or short-term trend

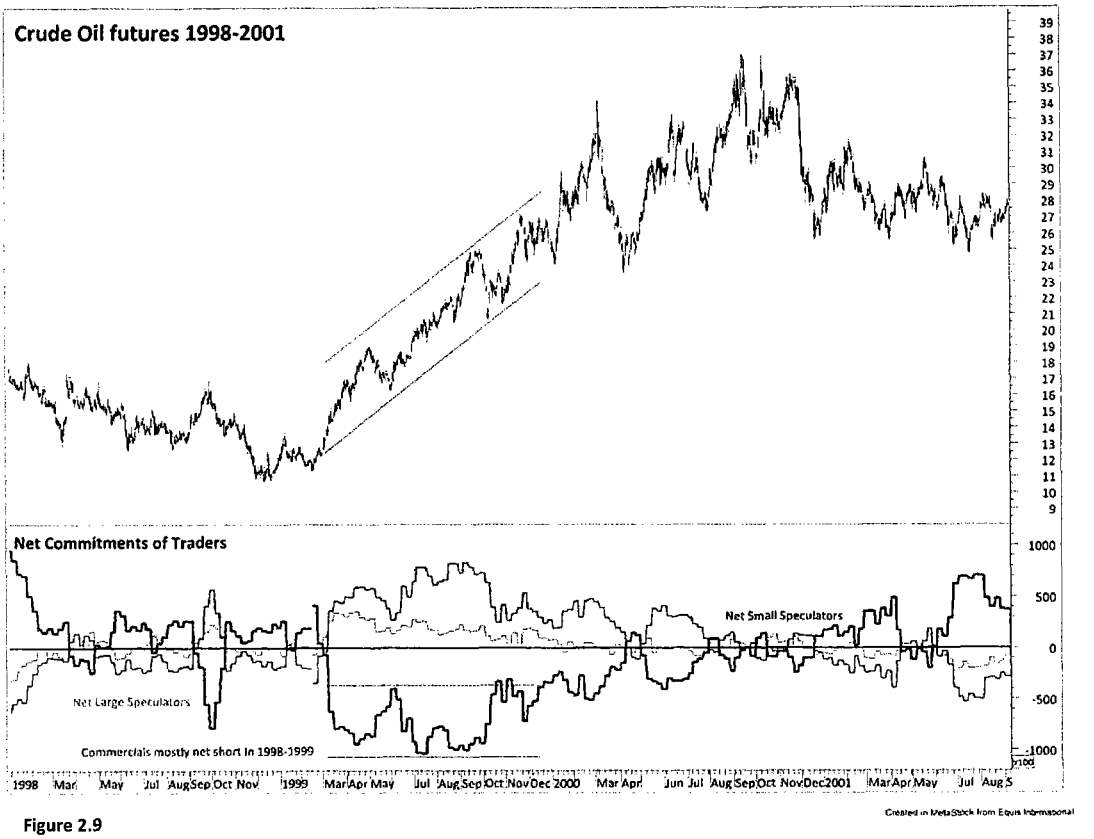

Figure 2.9

2.5 Williams and Trading With The Insiders (2005)

Larry Williams is a hedge fund manager and one of the most widely known educators of futures trading. In his recent book, (*Trade Stock and Commodities with the Insiders,* published in 2005) he explains several new methods of COT data analysis. His basic findings are going to be presented by the analysis of gold futures.

There is much controversy in the judgement of COT information's usefulness on gold: Briese (1990), in one of the earliest sources of COT literature mentions (see Section 2.2) that his testings show a quite low, 33% commercial reliability in gold futures. Jim Sinclair's[30] comments in Krautkramer's (2004) article share the similar view: "I make nothing of COT either bullish or bearish on gold. Also, do not look at static numbers on anything but rather look for a trend. COT is more important on cotton than it is say for gold" .

[30] Jim Sinclair is a precious metals specialist and trader of commodities and foreign currencies. He is the author of numerous articles and books dealing with a variety of investment subjects, including precious metals and trading strategies.

The same article publishes George J. Paulos[31]' opinion as well, who is taking a different stance: "I watch the COT myself for gold and silver. There seems to be some correlation with intermediate trends, but the other markets don't make sense to me."

Williams (2005) shares Mr. Paulos' view, and explains the importance of extreme net comments of commercials. He illustrates his findings by examining gold futures prices between 2002-2005 (see Figure 2.10):

> The commercials were net short as early as 2002, yet the market did not plunge. That greatly confused many followers of this information, but not you and me, as we know it is the extremes we look for. Indeed, the major decline of gold in 2004 began with a historically large amount of selling by this smart money crowd. I admonish you to keep this point in mind: it is the extremely bullish or bearish stances the commercials make that tip us as to what to do. If they have just begun more selling than buying, unless that is an extreme level, it means very little to us. (Williams, 2005, p. 26.)

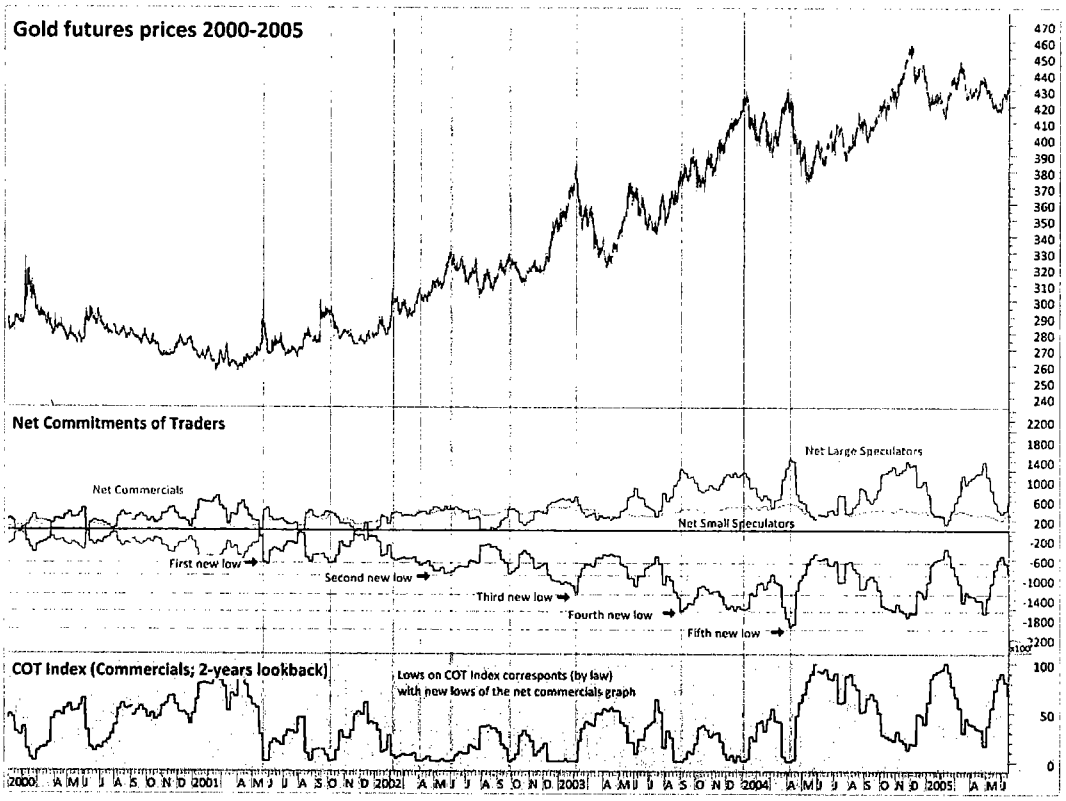

Figure 2.10

Created in MetaStock from Equis International

In a later part of his book, Mr. Williams takes the May and June, 2004 readings of gold futures' COT Index as an example of a typical bullish scenario. He highlights the fact that the index did not show such an extreme bullishness since January, 2001.

One of the advantages of Williams' analyses is that he looks at all market participants, and not only on commercials. He dedicates a whole chapter on the examination of small

---

[31] George J. Paulos is the editor of freebuck.com, an advisory service devoted to wealth preservation by using alternative investing approaches, including precious metals.

traders' behaviour. One of his most illustrative examples is the examination of small traders' performance in gold futures between 1994-2001 (see Figure 2.11)

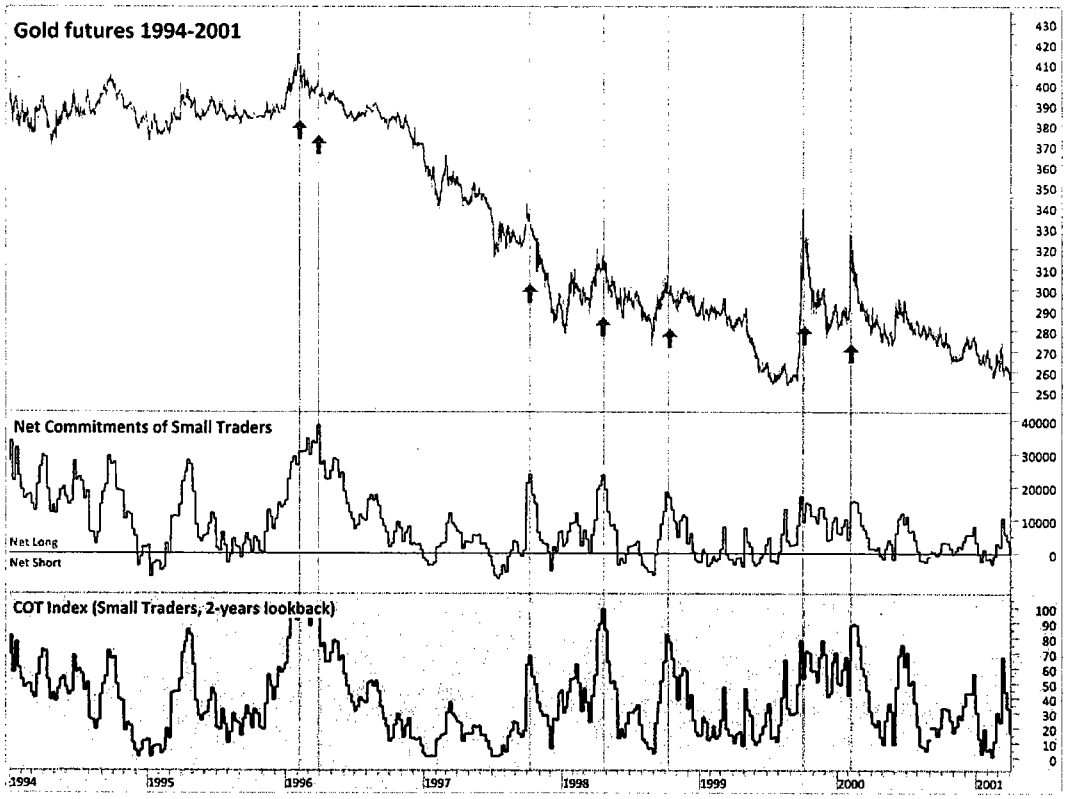

Figure 2.11

Williams comments, that every time the public became relatively bullish on gold, prices started to decline. Based on this and further examples he concludes that fading the small speculators is an effective trading methodology.

The author develops and explains a number of new tools that analyze COT data. One of his most reliable indicators is the application of a trend filter to the COT Index. According to this technique, buying signals are taken only if prices are above their 52-week moving average. Conversely, low COT index readings are valid only if prices are below their 52-week average. Figure 2.12 shows the buy (green arrow) and sell (red arrow) signals generated by this method.

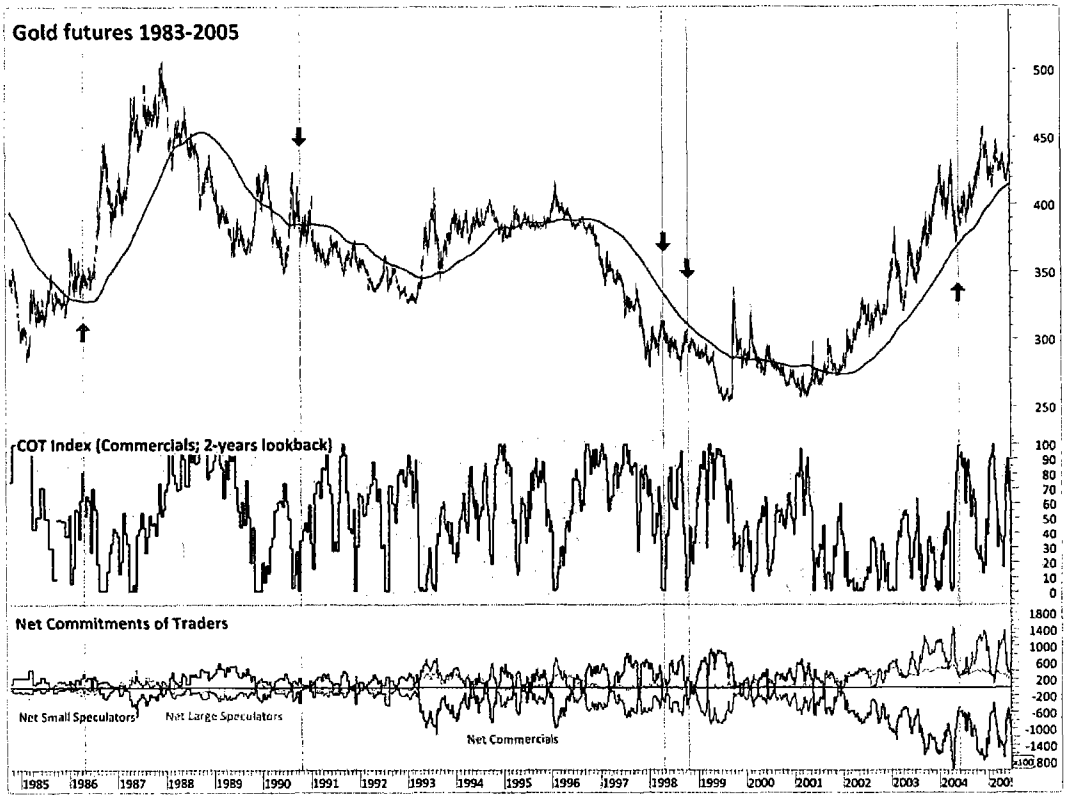

Figure 2.12

The previous examples and the author's further studies show that relationships exist between price trends and extreme trader commitments on the market of gold as well. On the other hand, the strenght of these relationships are not discussed.

The study presented in Chapter 3. attempts to measure and classify the strenght of such relationships and also tries to identify markets that are the most and least dependent from the extreme commitments of traders.

2.6 Lightner's explanation of future markets' dynamics: the inherent return hypothesis (1999)

All previously presented studies suppose the existence of strong relationships between extreme behaviour of traders and the development of significant price trends. Neither of them, however, uses the opportunity provided by the COT reports to observe the core dynamics of futures trading. Charles R. Lightner, on the other hand, takes a look the futures markets through the lenses of traders' commitments and founds significant support for his hypothesis on inherent returns.

Lightner believes that just like stock markets generate inherently positive returns over time based on the continuous creation of capital, and like bonds are yielding gains based on

the "rental value of money", futures markets also provide meaningful inherent returns – compensating those, who take the risks. His studies combine logical explanations of futures markets' dynamics with the empirical findings of COT report analysis.

The inherent return hypothesis states that speculators are rewarded for their risk-taking services by profit opportunities arising from price trends. The typical trends in net commitments of market participants during significant price advances or declines seem to support Lightner's hypothesis. Figure 2.13 shows Lightner's example on Soybean Oil, but price charts presented earlier may also be used to illustrate the common trend patterns of net commitments:

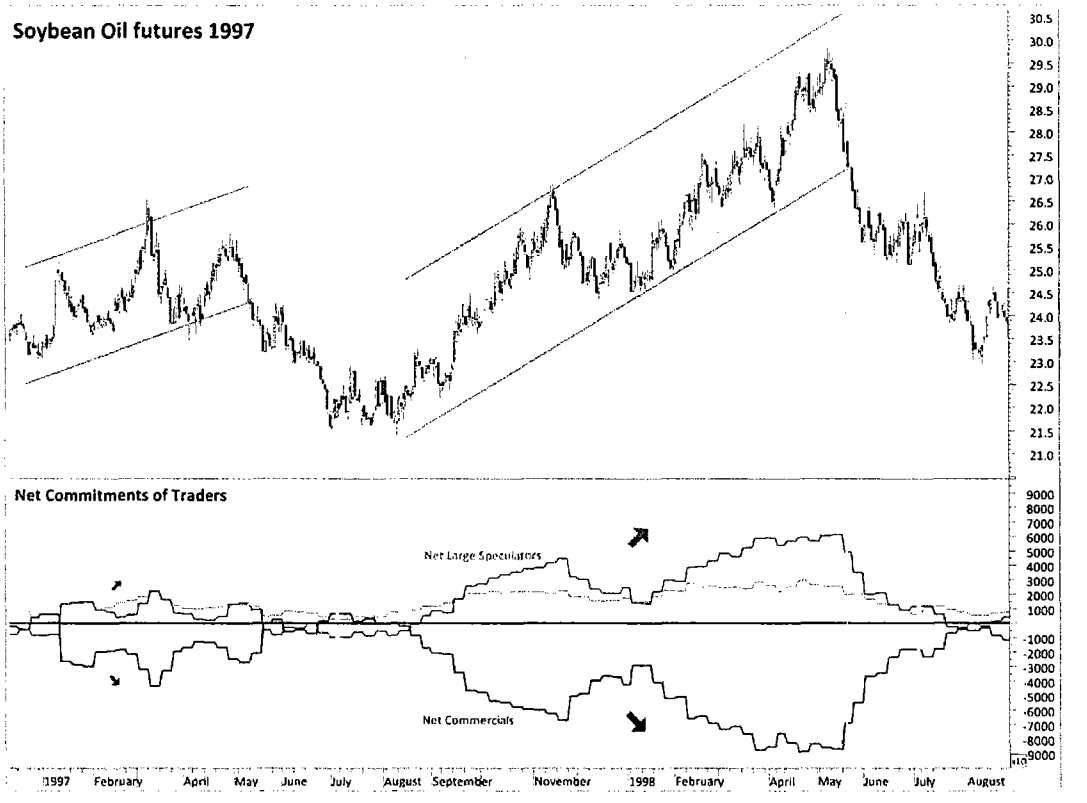

Figure 2.13

Mr. Lightner's comments summarize his empirical findings:

> ...the position of investors moved to a net long position as the uptrend in prices began in 1997. The peak of the long positions was coincident with the market top. Two things clearly stand out from the study: (1) The positions of the commercial participants and the investors are essentially mirror images, and (2) The positions of the investors are generally either with the price trend or moving in the direction of the price trend.
>
> Further, these two items tell us a great deal about the fundamental workings of these markets: (1) They demonstrate the investors' essential function that is, providing the balance that the markets need, taking the other side of the commercials' net positions *and* (2) They illustrate the mechanism through which the investors make profits, being positioned with the trend in prices. (Lightner, A Rationale For Managed Futures, 1999, pp. 2-3.)

The author believes that speculators would have abandoned futures markets long ago, if they were not able to profit from their activities. Following this logic, the primary source of their gains must be the pockets of commercials. But how is it possible to achieve profit against the "people with the greatest knowledge of fundamentals – the smart money"? Lightner provides three approaches to resolve this paradox:

> (1) Commercial participants are in the market to obtain a valuable service: risk protection. They know that protection has value and it will have a cost. The only mechanism for that payment is the implicit fee paid to the investors via the transfer of trading profits.
>
> (2) The aim of the commercial participants is to hedge against price risk. The more fully hedged they are, the less they care about gains or losses in their futures positions; those gains or losses are offset by gains or losses in their cash positions. That is the nature of a hedge. Once the decision to hedge is made and the hedge put in place, the commercial participant is essentially indifferent to price action in the futures market. If the participant misses a price trend in the futures market, they make up for it in their cash positions, and vice versa.
>
> (3) The most revealing approach to explaining this issue, however, is based on the fact that the commercial participants come in two varieties: producer and consumer. To use our corn example again, as the price of corn rises, the producers — the farmers — will be more willing to sell and the cerealmakers less willing to buy. The imbalance in the market will be on the buy side. As a result, we see more and more investors buying corn futures as the price continues to rise. Those investors are making money, being positioned in a market that is trending higher. Conversely, the lower the price of corn, the more anxious the cerealmaker will be to lock in favourable prices and the more he will want to buy. The farmer, though, will want to hold back his crop, hoping to get a higher price later. So the imbalance will be on the sell side. The lower the price falls, the more futures contracts the cerealmaker will need the investors to sell. Being short in a falling market generates the profits that compensate the investors for taking the risk the commercials need them to take. (Lightner, A Rationale For Managed Futures, 1999, p. 4.)

Lightner concludes that the fundamental energy of a significant price trend is originated from the imbalance of commercial interests. This imbalance creates risks which are passed over to the speculators who are rewarded by a market position in the direction of the coming price trend.

If the author was right, a simple mechanical trend following approach should provide consistant trading profits over the long run. In order to prove his theory, Lightner analyzed the performance[32] of the so called MLM Index[33] between 1961-1998. The index shows how a theoretical portfolio of 25 futures contracts would have performed by using a simple trend following approach.

The results show constant and attractive returns (excess returns compared to stocks and bonds) over the observation period, with a relatively low risk factor. Lightner regards these findings as proving confirmations of the inherent return hypothesis.

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[32] Appendix 10. contains the exact performance figures of the MLM Index

[33] MLM is the abreviation of Mount Lucas Management Corp., the company which developed the MLM Index in 1988

3. Long-term statistical analysis of COT data

This chapter is dedicated to the presentation of a comprehensive study that measured the strenght of correlation between traders' sentiment changes and price developments across several time-frames.

3.1 Research Methodology

There are two basic ways to analyze futures markets: fundamentally and technically. Both methods share the common goal of predicting future price movements, but their approach is essentially different. Fundamental analysis is the study of supply and demand. The fundamentalists say that the basic market forces are the causes and effects of price movements; those have to be analyzed to be able to forecast future tendencies.

In contrast with the fundamentalists, technical analysts are concerned solely with the price action. They believe that all information is reflected in the actual prices of securities and it is virtually impossible to know all the fundamentals (Kleinman, 2005). Their analyses concern price behaviour, seek patterns of changes and employ various statistical methods.

The common characteristic of fundamental and technical analysis is that both are trying to originate price changes from secondary factors that might or might not have a relationship with the real supply and demand. Commitments of Traders data, on the other hand, reports the primary factors, the actions of large buyers and sellers. While technical and fundamental analysts are guessing how particular factors might influence the buying and selling decisions of market participants, COT information already shows the results.

The following study attempts to unify the strenghts of fundamental and technical analysis to find significant statistical relationships between traders' commitments and price trends. The results will not only identify the markets which have the closest relationships with a certain groups' sentiment, but also tries to find reasons. The results will show the practical dynamics of each market, i.e. which participants' actions influence price fluctuations the most. The third aspect of the study is to test the relevance of efficient markets hypothesis on certain futures markets. If significant long-term correlations are found between the positions of certain groups and the developing prices, the market in question cannot be regarded as efficient.

Studies reviewed in Chapter 2. showed that net commitments does not contain much information without a historical context. Most of the studies also confirmed the versatility of COT Indices, since they derive their value from the net readings and also provide an

effective ranking of relative highs and lows; in other words, they transform the data into comparable values.

COT Index readings fluctuate between the extremes of 0 and 100. The following analysis assumes that more readings of extremes suggest a stronger sentiment from the given trader group to the relevant side of the market than less number of readings. Based on this assumption, the application of moving averages[34] to COT Indices have to be relevant measures of trends in traders' biases. They also smooth the data, which makes it possible to conduct correlation studies.

Since the lenght of price trends vary greatly among markets, four different lenghts of moving averages were applied to the three trader groups' COT Indices on all observed markets. Twelve correlation studies were conducted by analyzed markets to find out, which trader group has the highest price trend forecasting power and in which timeframe.

A large sample of 30 futures markets was analyzed between 1983-2003, covering all major segments of the marketplace (the descriptions and contract specifications of all analyzed markets are listed in Appendix 6.):

Agriculture:	Corn futures, Soybean futures, Sugar futures, Wheat futures, Soybean Meal futures, Soybean Oil futures, Live Cattle futures, Live Hogs futures, Coffee futures, Cotton futures, Cocoa futures, Feeder Cattle futures, Orange Juice futures, Oats futures, Lumber futures, Pork Belly futures
Currencies:	Japanese Yen futures, British Pound futures, Canadian Dollar futures, Swiss Franc futures
Energies:	Crude Oil futures, Unleaded Gasoline futures, Heating Oil futures
Equity Index:	S&P 500 Index futures
Interest Rates:	3-Month Eurodollar futures, 10-Year Treasury Note futures, 30-Year Treasury Bond futures
Metals:	Gold futures, Silver futures, Platinum futures

The lookback period used in COT Index calculations was 400-periods. This, approximately two calendar years of relativity was assumed to be a correct time-frame to analyze 20 years of history. 100, 200, 400 and 600 days moving averages were applied to COT indices, without any forth- or back-adjustments. On certain markets, the 1000 days moving average of Commercial COT Indices were also calculated to check if there is a relationship between extra long-term sentiment tendencies and long-term price trends. The

---

[34] An average of a predetermined number of data over a number of days, divided by the number of entries. (Luca, 1997, p. 343)

following graph (Figure 3.1) illustrates the moving averages applied to the COT Indices and also the related price movements.

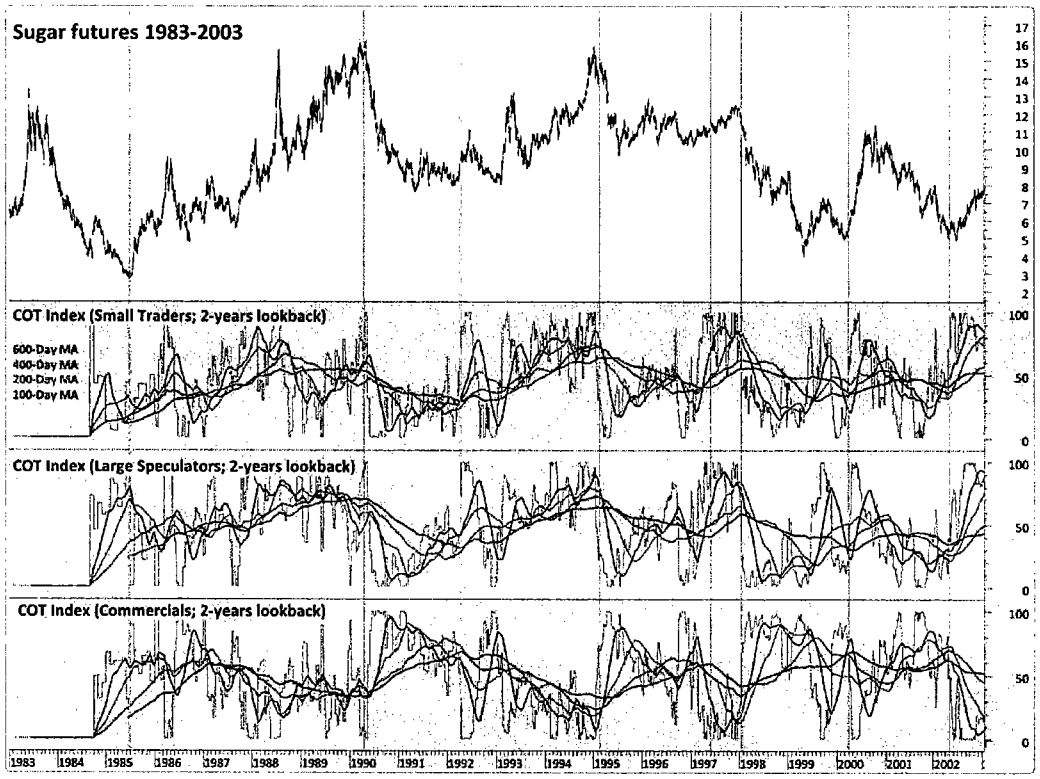

Figure 3.2

Historical continuous futures price data were obtained from InterCapital Management, extended Commitments of Traders data[35] were supplied by Pinnacle Data Services Corp.

The correlations were calculated by the following expression of Pearson correlation, using Microsoft Excel's CORREL function.

$$r = \frac{\Sigma XY - \frac{(\Sigma X)(\Sigma Y)}{n}}{\sqrt{\left(\Sigma X^2 - \frac{(\Sigma X)^2}{n}\right)\left(\Sigma Y^2 - \frac{(\Sigma Y)^2}{n}\right)}}$$

[35] COT information from 1983 are only available from Pinnacle Data Corp. They also extracted the 1986 to 1991 mid-month values from CFTC's old computers and are the only company offering these rare datasets.

3.2 Results of data analysis

Table 3.1 shows the results of the statistical tests performed. The first and second columns list the analyzed markets and the industry categories they belong to. The cells containing a percentage value show the correlation coefficient between the relevant trading groups' smoothed COT Index and the market prices. The last column shows the 2005 trading volume of each contract – these values serve as sorting conditions for the markets in same category.

Market	Category	100-Day MA			200-Day MA			400-Day MA			600-Day MA			1000 DMA	Volume
		Commercials	Large Traders	Small Traders	Commercials	Large Traders	Small Traders	Commercials	Large Traders	Small Traders	Commercials	Large Traders	Small Traders	Commercials	2005
Corn	Agriculture	-28.98%	30.14%	-34.27%	-31.43%	39.03%	-11.38%	-22.12%	46.64%	16.85%	-39.27%	55.74%	-14.39%		27,965,057
Soybean	Agriculture	-18.07%	25.13%	18.36%	-27.15%	37.28%	20.87%	-29.46%	49.28%	12.45%	-27.77%	56.93%	-10.07%		20,216,137
Sugar	Agriculture	-39.23%	31.70%	34.73%	-53.37%	48.87%	-40.89%	-71.00%	72.21%	-4.65%	-72.22%	73.41%	-7.84%		[illegible]
Wheat	Agriculture	-4.84%	21.27%	-10.66%	-6.45%	28.58%	-17.29%	-27.81%	49.25%	-20.40%	-54.94%	70.13%	-29.22%		[illegible]
Soybean Meal	Agriculture	-23.50%	24.98%	15.60%	-29.90%	31.62%	19.89%	-33.66%	35.45%	25.02%	-33.35%	32.98%	32.39%		8,324,616
Soybean Oil	Agriculture	-15.88%	30.91%	2.47%	-32.85%	47.53%	15.93%	-56.66%	67.31%	40.48%	-70.68%	75.58%	60.90%	-72.72%	[illegible]
Live Cattle	Agriculture	12.63%	-19.04%	-34.62%	13.73%	22.44%	-34.84%	22.00%	35.99%	-48.71%	34.40%	-42.79%	-61.07%		[illegible]
Lean Hogs	Agriculture	-1.35%	15.54%	-21.13%	-6.30%	25.15%	-29.38%	-15.86%	56.56%	-51.53%	-50.92%	63.29%	-48.49%		[illegible]
Coffee	Agriculture	-5.57%	8.99%	-38.06%	-7.64%	13.00%	-39.54%	-13.21%	27.80%	-42.96%	-10.10%	30.42%	-46.57%		3,987,778
Cotton	Agriculture	-17.62%	22.94%	0.79%	-16.06%	23.20%	-2.11%	-32.11%	34.61%	14.87%	-44.17%	41.12%	15.95%		3,848,990
Cocoa	Agriculture	24.16%	0.87%	-41.76%	21.99%	9.10%	-45.42%	21.19%	20.05%	-49.26%	4.08%	30.23%	-35.36%		2,582,927
Feeder Cattle	Agriculture	19.34%	10.87%	-25.32%	23.40%	19.07%	-32.68%	36.24%	19.72%	-42.92%	53.09%	-1.29%	-55.57%		1,017,348
Orange Juice	Agriculture	3.11%	0.95%	-7.23%	-6.01%	16.02%	-4.98%	-14.59%	40.07%	-4.35%	-8.08%	54.40%	-13.82%		902,019
Oats	Agriculture	6.18%	8.15%	-19.47%	8.82%	9.09%	-23.35%	10.27%	13.48%	-25.21%	6.75%	11.70%	-16.45%		351,539
Lumber	Agriculture	-8.30%	4.54%	22.13%	-18.23%	10.02%	31.54%	-30.33%	2.69%	47.15%	-30.65%	-19.35%	58.14%		236,241
Pork Bellies	Agriculture	22.28%	28.25%	-36.87%	20.06%	33.16%	-40.78%	-1.09%	48.20%	-49.75%	-29.91%	50.16%	-44.48%		124,418
Japanese Yen	Currency	-15.94%	9.56%	15.25%	-10.40%	2.40%	9.59%	-15.11%	10.96%	5.51%	-36.66%	34.21%	13.05%		12,471,672
British Pound	Currency	-23.71%	24.20%	5.33%	-27.38%	27.98%	4.88%	-32.68%	33.46%	2.24%	-42.36%	34.92%	2.44%		8,769,751
Canadian Dollar	Currency	5.06%	-5.42%	8.18%	1.16%	-0.97%	12.24%	-11.75%	13.91%	18.61%	-21.75%	27.81%	22.15%		7,930,156
Swiss Franc	Currency	4.11%	-20.57%	2.84%	10.38%	-26.29%	-1.89%	-10.88%	-0.22%	6.43%	-38.23%	34.68%	22.50%		7,784,498
Crude Oil	Energy	13.68%	-3.54%	-29.52%	17.34%	2.28%	-32.14%	16.11%	11.15%	-34.45%	-7.17%	8.47%	2.96%		59,650,468
Unleaded Gasoline	Energy	-12.58%	15.35%	9.40%	-12.73%	15.96%	6.84%	-26.35%	27.25%	13.42%	15.07%	20.89%	-2.05%		13,166,417
Heating Oil	Energy	-6.32%	15.96%	-10.15%	1.55%	18.68%	-35.65%	-19.92%	39.01%	-36.83%	-26.14%	37.19%	-22.32%		13,135,581
S&P 500	Index	-37.64%	15.92%	40.50%	-44.47%	19.60%	46.47%	-55.82%	29.99%	55.23%	-67.12%	42.31%	60.97%	-86.72%	35,377,489
Eurodollars	Interest Rates	-1.18%	8.92%	-7.23%	-10.73%	21.50%	1.08%	-29.28%	47.72%	15.38%	-41.58%	64.29%	17.45%	84.80%	410,355,384
10-Year T-Notes	Interest Rates	0.82%	-3.12%	2.72%	1.44%	-3.13%	-2.98%	-11.53%	11.74%	3.29%	-17.01%	23.86%	9.50%		215,124,070
30Yr. U.S. T-Bonds	Interest Rates	-28.90%	32.63%	19.88%	-32.07%	35.59%	24.05%	-35.00%	33.58%	32.85%	-43.78%	43.79%	38.36%	-46.15%	86,926,569
Gold	Metals	-0.31%	-3.73%	14.30%	-6.97%	-0.70%	22.08%	-18.97%	11.19%	41.07%	-35.62%	20.31%	56.56%		15,890,617
Silver	Metals	-19.71%	12.73%	13.65%	-20.62%	16.80%	17.51%	-27.45%	31.74%	26.79%	-31.54%	37.35%	25.30%		5,536,351
Platinum	Metals	-5.51%	1.56%	-13.60%	-7.74%	3.83%	-16.26%	-18.83%	12.98%	-9.90%	-24.55%	21.67%	-35.99%	-31.20%	376,179

Table 3.1

* 84.80% figure under Eurodollars (1000-Day MA) was calculated on Large Traders

Results that are below 50% are regarded as weak, figures around 60-70% are considered strong relationships. The larger the value, the larger is the correlation between the trends in traders absolute commitments and the movements in prices. Positive values mark positive correlations (i.e. trend following behaviour, speculation), negative values represent negative ones (i.e. counter-trend trading, for example commercial sales).

The lines marked by yellow highlight those markets that have a higher than 50% correlation coefficient with minimum one of the trader groups. For example, on the market of corn, the long-term (600 day moving average) absolute commitment correlates at a 55.74% rate with the prices. If this figure was 100% then prices would follow the changes in traders' long-term average sentiment perfectly. If it was 0% then there was no relationship. So a value above 50% indicate that a considerable amount of dependence exists among the variables.

Negative values of correlation measure opposite relationships among the values. For example, the -39.27% reading in case of Corn (Commercials, 600-Day MA) means a weaker but reverse relationship.

The negative correlations between commercials average absolute commitments and price developments confirm the findings of previous chapters, that hedgers tend to sell into price rallies. The other two columns that belongs to speculators contain generally positive values, that supports theories discussing their trend following nature.

Lines marked by red highlight markets, that indicate strong correlations. The following list gathers the fields with the best results (1000 DMA Commercials are excluded from the list, since these figures were not calculated for all markets):

1. **Soybean Oil** Correlation coefficient: **75.58%** (600-Day MA; Large Speculators)
2. **Sugar** Correlation coefficient: **73.43%** (600-Day MA; Large Speculators)
3. **Sugar** Correlation coefficient: **-72.22%** (600-Day MA; Commercials)
4. **Sugar** Correlation coefficient: **72.21%** (400-Day MA; Large Speculators)
5. **Sugar** Correlation coefficient: **-71.00%** (400-Day MA; Commercials)
6. **Soybean Oil** Correlation coefficient: **-70.68%** (600-Day MA; Commercials)
7. **Wheat** Correlation coefficient: **70.13%** (600-Day MA; Large Speculators)
8. **Soybean Oil** Correlation coefficient: **67.31%** (400-Day MA; Large Speculators)
9. **S&P 500** Correlation coefficient: **-67.12%** (600-Day MA; Commercials)
10. **Eurodollars** Correlation coefficient: **64.29%** (600-Day MA; Large Speculators)

Eight of the first ten places are agricultural futures, sugar being represented four times and soybean oil three times. At the end of the list, there are two heavily traded financial contracts, the S&Ps and the Eurodollars. Large speculators represent themselves 6 times, while Commercials four times. The group of small traders could not become the part of the list.

14 markets (out of the 30) has minimum one trader group that represents a higher than 50% correlation factor. Half of these 14 markets have minimum one reading higher than 60%.

3.2.1 The most reliable markets across different time-frames

In order to measure overall reliability, the absolute value of correlation coefficients (over all analyzed timeframes - except 1000 DMA - and all trader groups) were summed up. The following list gathers those markets which received the highest results:

1. **Sugar** Σ |Correlation coefficients|: 550.14%
2. **Soybean Oil** Σ |Correlation coefficients|: 517.13%
3. **S&P 500** Σ |Correlation coefficients|: 515.92%
4. **Lean Hogs** Σ |Correlation coefficients|: 405.50%
5. **Pork Bellies** Σ |Correlation coefficients|: 404.49%
6. **30Yr. U.S. T-Bonds** Σ |Correlation coefficients|: 400.43%

7. **Live Cattle** Σ |Correlation coefficients|: 381.97%
8. **Corn** Σ |Correlation coefficients|: 370.24%
9. **Wheat** Σ |Correlation coefficients|: 340.80%
10. **Feeder Cattle** Σ |Correlation coefficients|: 340.06%

Eight out of the ten listed markets are agriculturals, the remaining two are interest rate and equity index futures. The top three markets (sugar, soybean oil and the S&Ps) were also the part of the previous list and received significantly higher results than the other participants of the list.

The following list ranks markets, according to their short-term reliability (results are the sums of the absolute values of correlation coefficients over 100 and 200-Day MA time-frames):

1. **Sugar** Σ |Correlation coefficients|: 248.79%
2. **S&P 500** Σ |Correlation coefficients|: 204.61%
3. **Pork Bellies** Σ |Correlation coefficients|: 181.40%
4. **Corn** Σ |Correlation coefficients|: 175.23%
5. **30Yr. U.S. T-Bonds** Σ |Correlation coefficients|: 173.07%
6. **Soybean** Σ |Correlation coefficients|: 146.86%
7. **Soybean Oil** Σ |Correlation coefficients|: 145.57%
8. **Soybean Meal** Σ |Correlation coefficients|: 145.55%
9. **Cocoa** Σ |Correlation coefficients|: 143.29%
10. **Live Cattle** Σ |Correlation coefficients|: 137.31%

Results show, that sugar is the first on this list as well, but soybean oil dropped to the 8th place. The dominant markets are agriculturals; the financial futures industry is represented by the same two contracts, the long bonds and the S&Ps.

The next list is a similar compilation to the previous one, but it collects those markets, which showed the best overall correlations over the longer term (results are the sums of the absolute values of correlation coefficient values over the 400 and 600-Day MA time-frames):

1. **Soybean Oil** Σ |Correlation coefficients|: 371.55%
2. **S&P 500** Σ |Correlation coefficients|: 311.30%
3. **Lean Hogs** Σ |Correlation coefficients|: 306.64%
4. **Sugar** Σ |Correlation coefficients|: 301.35%
5. **Wheat** Σ |Correlation coefficients|: 251.75%
6. **Live Cattle** Σ |Correlation coefficients|: 244.66%
7. **30Yr. U.S. T-Bonds** Σ |Correlation coefficients|: 227.36%
8. **Pork Bellies** Σ |Correlation coefficients|: 223.09%
9. **Eurodollars** Σ |Correlation coefficients|: 215.72%

10. **Feeder Cattle** Σ |Correlation coefficients|: 209.44%

Soybean oil tops the list by a significant difference over the S&Ps and lean hogs futures. The proportion of agriculturals and financials changed to 7:3, because Eurodollar futures made the list, to the 8th place.

3.2.1.1 Summary of findings

The previously presented tables clearly show that there are certain markets, which produce reliable results over all time frames. This category includes sugar futures (1st short-term, 4th long-term) and S&P 500 Index futures (2nd short-term, 2nd long-term). On the other hand, particular markets show significantly better reliabilities over the short run or over the long run. The markets with the largest differences are listed in the following:

1.	**Soybean Oil**	Short-term: 145.57%	Long-term: 371.55%	Difference: 225.98%
2.	**Lean Hogs**	Short-term: 98.86%	Long-term: 306.64%	Difference: 207.78%
3.	**Eurodollars**	Short-term: 50.64%	Long-term: 215.72%	Difference: 165.08%
4.	**Wheat**	Short-term: 89.05%	Long-term: 251.75%	Difference: 162.71%
5.	**Gold**	Short-term: 48.09%	Long-term: 183.52%	Difference: 135.43%
6.	**Live Cattle**	Short-term: 137.31%	Long-term: 244.66%	Difference: 107.35%
7.	**S&P 500**	Short-term: 204.61%	Long-term: 311.30%	Difference: 106.69%
8.	**Cotton**	Short-term: 82.74%	Long-term: 182.85%	Difference: 100.11%
9.	**Orange Juice**	Short-term: 38.29%	Long-term: 135.32%	Difference: 97.03%
10.	**Lumber**	Short-term: 94.75%	Long-term: 188.30%	Difference: 93.55%
...				
25.	**Crude Oil**	Short-term: 98.49%	Long-term: 60.31%	Difference: 38.18%

All markets show better reliabilities on the longer time-frame, except one, Crude oil (no. 25 on the list)

While the previous list examined absolute differences, the following takes a look at the relative ones:

1.	**10-Year T-Notes**	Short-term: 14.21%	Long-term: 78.93%	% increase: 455.49%
2.	**Eurodollars**	Short-term: 50.64%	Long-term: 215.72%	% increase: 326.02%
3.	**Gold**	Short-term: 48.09%	Long-term: 183.52%	% increase: 281.62%
4.	**Orange Juice**	Short-term: 38.29%	Long-term: 135.32%	% increase: 253.39%
5.	**Canadian Dollar**	Short-term: 33.04%	Long-term: 116.00%	% increase: 251.10%
6.	**Lean Hogs**	Short-term: 98.86%	Long-term: 306.64%	% increase: 210.17%
7.	**Wheat**	Short-term: 89.05%	Long-term: 251.75%	% increase: 182.71%
8.	**Soybean Oil**	Short-term: 145.57%	Long-term: 371.55%	% increase: 155.24%
9.	**Cotton**	Short-term: 82.74%	Long-term: 182.85%	% increase: 121.00%
10.	**Platinum**	Short-term: 48.00%	Long-term: 103.93%	% increase: 116.52%

The list shows that trader groups' sentiment levels are 3-4.5 times more reliable indicators of future price changes long-term than over the short term.

3.2.2 Most reliable markets across different trader groups

In order to measure the reliabilities of trading groups, similar methods were used as previously: the sums of each category's correlation coefficients were calculated and sorted. The tables in this section also contain a ranking of trading volume of the concerned markets. "LOW" ranks the least actively traded 10 markets, "HIGH" marks are the most actively traded 10, out of the analyzed total of 30. The remaining markets are categorized as "MEDIUM".

The following list contains data on the group of small traders:

1.	**S&P 500**	Σ |Correlation coefficients|: 203.2%	Vol.: HIGH
2.	**Live Cattle**	Σ |Correlation coefficients|: 179.2%	Vol.: MEDIUM
3.	**Cocoa**	Σ |Correlation coefficients|: 171.8%	Vol.:LOW
4.	**Pork Bellies**	Σ |Correlation coefficients|: 171.4%	Vol.:LOW
5.	**Coffee**	Σ |Correlation coefficients|: 167.1%	Vol.:LOW
6.	**Lumber**	Σ |Correlation coefficients|: 158.9%	Vol.:LOW
7.	**Feeder Cattle**	Σ |Correlation coefficients|: 156.5%	Vol.:LOW
8.	**Lean Hogs**	Σ |Correlation coefficients|: 150.5%	Vol.:LOW
9.	**Gold**	Σ |Correlation coefficients|: 134.0%	Vol.:HIGH
10.	**Soybean Oil**	Σ |Correlation coefficients|: 119.7%	Vol.:MEDIUM

The results show that small speculator's actions (regardless of whether they are right or wrong) are regarded significant on the relatively smaller markets, except of course the S&Ps and gold futures. The aggregated volume on the top 10 small speculator markets were 56,880,047 contracts in 2005, about 5.8% of the total volume of the observed 30 markets. The smalls' total absolute correlation coefficient figure[36] is 2,840.82%, which will serve as a relative measure of their overall influence on the markets.

The following table lists the data of large speculators:

1.	**Sugar**	Σ |Correlation coefficients|: 226.2%	Vol.:MEDIUM
2.	**Soybean Oil**	Σ |Correlation coefficients|: 221.3%	Vol.:MEDIUM
3.	**Corn**	Σ |Correlation coefficients|: 171.6%	Vol.:HIGH
4.	**Wheat**	Σ |Correlation coefficients|: 169.2%	Vol.:MEDIUM
5.	**Soybean**	Σ |Correlation coefficients|: 168.7%	Vol.:HIGH
6.	**Lean Hogs**	Σ |Correlation coefficients|: 160.5%	Vol.:LOW
7.	**Pork Bellies**	Σ |Correlation coefficients|: 159.8%	Vol.:LOW
8.	**30Yr. U.S. T-Bonds**	Σ |Correlation coefficients|: 145.6%	Vol.:HIGH

[36] Sum of the absolute values of all 30 markets' correlation coefficients for the observed time-frame(s) and trading group(s)

9. **Eurodollars** Σ |Correlation coefficients|: 142.4% Vol.:HIGH
10. **Soybean Meal** Σ |Correlation coefficients|: 125.0% Vol.:MEDIUM

The results show that large speculators' average absolute commitments are well correlated by price movements, regardless of market sizes. The aggregated volume on the top 10 large speculator markets were 588,863,024 contracts in 2005, about 59.91% of the total volume of the observed 30 markets. The large speculators' total absolute correlation coefficient figure is 3,163.25%, which is not significantly higher than for small speculators.

The commercials' data is listed in the following table:

1. **Sugar** Σ |Correlation coefficients|: 235.8% Vol.:MEDIUM
2. **S&P 500** Σ |Correlation coefficients|: 205.1% Vol.:HIGH
3. **Soybean Oil** Σ |Correlation coefficients|: 176.1% Vol.:MEDIUM
4. **30Yr. U.S. T-Bonds** Σ |Correlation coefficients|: 139.7% Vol.:HIGH
5. **Feeder Cattle** Σ |Correlation coefficients|: 132.7% Vol.:LOW
6. **British Pound** Σ |Correlation coefficients|: 126.1% Vol.:MEDIUM
7. **Corn** Σ |Correlation coefficients|: 121.8% Vol.:HIGH
8. **Soybean Meal** Σ |Correlation coefficients|: 120.4% Vol.:MEDIUM
9. **Cotton** Σ |Correlation coefficients|: 110.0% Vol.:LOW
10. **Soybean** Σ |Correlation coefficients|: 102.4% Vol.:HIGH

The results show that commercials tend to be the most reliable on the medium and large markets. The aggregated volume on the top 10 commercial markets were 193,129,159 contracts in 2005, about 19.65% of the total volume of the observed 30 markets. The Commercials' total absolute correlation coefficient figure is 2,759.55%, which is the lowest among the three groups but does not significantly deviate from them.

3.2.3 Most reliable markets across different time-frames and trader groups

In the following, the performance of trader groups are analyzed separately, in short and long time-frames. As it has been already mentioned, the following (and also the previous) studies do not analyze the direction of trader groups' positions, they measure their absolute reliability. It is true that the vast majority of relationships between traders' sentiments and price movements are negative in case of commercials and positive in case of speculators, but several exceptions do exist.

The following table lists the most reliable markets for **small traders in the short-term**:

1. **Cocoa** Σ |Correlation coefficients|: 87.2% Vol.:LOW
2. **S&P 500** Σ |Correlation coefficients|: 87.0% Vol.:HIGH
3. **Pork Bellies** Σ |Correlation coefficients|: 77.7% Vol.:LOW

4.	**Coffee**	Σ |Correlation coefficients|: 77.6%	Vol.:LOW
5.	**Sugar**	Σ |Correlation coefficients|: 75.6%	Vol.:MEDIUM
6.	**Live Cattle**	Σ |Correlation coefficients|: 69.5%	Vol.:MEDIUM
7.	**Crude Oil**	Σ |Correlation coefficients|: 61.7%	Vol.:HIGH
8.	**Feeder Cattle**	Σ |Correlation coefficients|: 58.0%	Vol.:LOW
9.	**Lumber**	Σ |Correlation coefficients|: 53.7%	Vol.:LOW
10.	**Lean Hogs**	Σ |Correlation coefficients|: 50.5%	Vol.:LOW

The table shows that six out of the ten small trader markets are below the average in terms of trading volume. The large exceptions are the S&Ps, Sugar and Crude oil. Cocoa and S&P 500 Index futures show significantly higher reliability than the others. The small traders' short-term total absolute correlation coefficient figure is 1,200.51%.

The following table lists the most reliable markets for **small traders in the long-term**:

1.	**S&P 500**	Σ |Correlation coefficients|: 116.2%	Vol.:HIGH
2.	**Live Cattle**	Σ |Correlation coefficients|: 109.8%	Vol.:MEDIUM
3.	**Lumber**	Σ |Correlation coefficients|: 105.3%	Vol.:LOW
4.	**Soybean Oil**	Σ |Correlation coefficients|: 101.3%	Vol.:MEDIUM
5.	**Lean Hogs**	Σ |Correlation coefficients|: 100.0%	Vol.:LOW
6.	**Feeder Cattle**	Σ |Correlation coefficients|: 98.5%	Vol.:LOW
7.	**Gold**	Σ |Correlation coefficients|: 97.6%	Vol.:HIGH
8.	**Pork Bellies**	Σ |Correlation coefficients|: 93.7%	Vol.:LOW
9.	**Coffee**	Σ |Correlation coefficients|: 89.5%	Vol.:LOW
10.	**Cocoa**	Σ |Correlation coefficients|: 84.6%	Vol.:LOW

The table shows that eight out of the ten small trader markets are below the average in terms of trading volume. The large exceptions are the S&Ps and gold. While cocoa's reliability remained generally the same from short to long term, the S&P's increased by one third. The small traders' long-term total absolute correlation coefficient figure is 1,640.31%, significantly higher than over the short-term.

The following table lists the most reliable markets for **large speculators in the short-term**:

1.	**Sugar**	Σ |Correlation coefficients|: 80.6%	Vol.:MEDIUM
2.	**Soybean Oil**	Σ |Correlation coefficients|: 78.4%	Vol.:MEDIUM
3.	**Corn**	Σ |Correlation coefficients|: 69.2%	Vol.:HIGH
4.	**30Yr. U.S. T-Bonds**	Σ |Correlation coefficients|: 68.2%	Vol.:HIGH
5.	**Soybean**	Σ |Correlation coefficients|: 62.4%	Vol.:HIGH
6.	**Pork Bellies**	Σ |Correlation coefficients|: 61.4%	Vol.:LOW
7.	**Soybean Meal**	Σ |Correlation coefficients|: 56.6%	Vol.:MEDIUM
8.	**British Pound**	Σ |Correlation coefficients|: 52.2%	Vol.:MEDIUM

9. **Wheat** Σ |Correlation coefficients|: 49.8% Vol.:HIGH
10. **Swiss Franc** Σ |Correlation coefficients|: 46.9% Vol.:MEDIUM

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14. **S&P 500** Σ |Correlation coefficients|: 35.5% Vol.:HIGH

The figures indicate that large speculators' reliability is quite similar to small traders' in the short-term. Although, the composition of underlying markets are significantly different. While small traders tend to be reliable on smaller markets, the large speculators are better indicators for relatively bigger markets. The large traders' short-term total absolute correlation coefficient figure is 1,066.29%, lower than for small traders in the same time frame.

The following table lists the most reliable markets for **large speculators over the long-term**:

1. **Sugar** Σ |Correlation coefficients|: 145.6% Vol.:MEDIUM
2. **Soybean Oil** Σ |Correlation coefficients|: 142.9% Vol.:MEDIUM
3. **Lean Hogs** Σ |Correlation coefficients|: 119.8% Vol.:LOW
4. **Wheat** Σ |Correlation coefficients|: 119.4% Vol.:HIGH
5. **Eurodollars** Σ |Correlation coefficients|: 112.0% Vol.:HIGH
6. **Soybean** Σ |Correlation coefficients|: 106.3% Vol.:HIGH
7. **Corn** Σ |Correlation coefficients|: 102.4% Vol.:HIGH
8. **Pork Bellies** Σ |Correlation coefficients|: 98.4% Vol.:LOW
9. **Orange Juice** Σ |Correlation coefficients|: 94.5% Vol.:LOW
10. **Live Cattle** Σ |Correlation coefficients|: 78.5% Vol.:MEDIUM

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14. **S&P 500** Σ |Corrrelation coefficients|: 72.10% Vol.:HIGH

The results are quite similar to the overall results presented earlier, in section 3.2.1. The most significant difference between the two lists is the position of S&P 500 futures contracts: they are third on the overall rankings while on this list, only 14th. The results confirm that large speculators' are reliable on markets of all sizes. Their long-term total absolute correlation coefficient figure is 2,096.96%, which is significantly higher than the results of the previous three trader groups'.

The following table lists the most reliable markets for **commercials over the short-term**:

1. **Sugar** Σ |Correlation coefficients|: 92.6% Vol.:MEDIUM
2. **S&P 500** Σ |Correlation coefficients|: 82.1% Vol.:HIGH
3. **30Yr. U.S. T-Bonds** Σ |Correlation coefficients|: 60.9% Vol.:HIGH
4. **Corn** Σ |Correlation coefficients|: 60.4% Vol.:HIGH
5. **Soybean Meal** Σ |Correlation coefficients|: 53.4% Vol.:MEDIUM

6.	**British Pound**	Σ |Correlation coefficients|: 51.1%	Vol.:MEDIUM
7.	**Soybean Oil**	Σ |Correlation coefficients|: 48.7%	Vol.:MEDIUM
8.	**Cocoa**	Σ |Correlation coefficients|: 46.2%	Vol.:LOW
9.	**Soybean**	Σ |Correlation coefficients|: 45.2%	Vol.:HIGH
10.	**Feeder Cattle**	Σ |Correlation coefficients|: 42.7%	Vol.:LOW

The results clearly show that commercials' short-term reliability tends to be higher on the larger markets: eight out of the ten listed markets traded more than 7,500,000 contracts in 2005. Besides the seven agricultural products, three financial futures made the list: one equity index future (S&P 500), one interest rate future (30-Yr. T-Bond) and one currency future (British pound). Commercials' short-term total absolute correlation coefficient figure is however the lowest, only 953.65%. This figure confirms many theorists view that commercials' moves should not be interpreted on a short-term basis.

The following table lists the most reliable markets for **commercials over the long-term**:

1.	**Sugar**	Σ |Correlation coefficients|: 143.2%	Vol.:MEDIUM
2.	**Soybean Oil**	Σ |Correlation coefficients|: 127.3%	Vol.:MEDIUM
3.	**S&P 500**	Σ |Correlation coefficients|: 123.0%	Vol.:HIGH
4.	**Feeder Cattle**	Σ |Correlation coefficients|: 89.9%	Vol.:LOW
5.	**Lean Hogs**	Σ |Correlation coefficients|: 86.8%	Vol.:LOW
6.	**Wheat**	Σ |Correlation coefficients|: 82.8%	Vol.:MEDIUM
7.	**30Yr. U.S. T-Bonds**	Σ |Correlation coefficients|: 78.8%	Vol.:HIGH
8.	**Cotton**	Σ |Correlation coefficients|: 76.3%	Vol.:LOW
9.	**British Pound**	Σ |Correlation coefficients|: 75.0%	Vol.:MEDIUM
10.	**Eurodollars**	Σ |Correlation coefficients|: 70.9%	Vol.:HIGH

Results show, that over the long term, commercials reliability does not depend on the market sizes. Six out of the highlighted ten contracts can also be found on the previous list. It shows that on some markets, the commercials average extreme absolute positions tend correlate with both short and long-term price trends. Their long-term total absolute correlation coefficient figure is however lower than for large speculators in the same time-frame, about 1,805.90%

3.2.3.1 Summary of findings

Table 3.2 contains the relative differences between the short and long term reliabilities of small traders, large speculators and commercials. The highlighted markets (five out of the ten) appear on all three lists. Those are the contracts that are the most sensible on time-frames. In case of interest rate futures, the difference between the short and long term

reliabilities can be 2-11 times; in case of agricultural futures 1-10 times; in case of metal futures 2-6 times and in case of currency futures 2-5 times.

Market	Volume	Volume%	Volume Rank	Small Speculators		Difference%
				Short	Long	
Cotton	3,848,990	0.39%	LOW	2.91%	30.82%	959.76%
Swiss Franc	7,784,498	0.79%		4.74%	28.92%	510.53%
Soybean Oil	7,676,130	0.78%		18.40%	101.33%	450.57%
Eurodollars	410,355,384	41.75%	HIGH	8.31%	32.84%	295.15%
Gold	15,890,617	1.62%	HIGH	36.38%	97.63%	168.36%
10-Year T-Notes	215,124,076	21.89%	HIGH	5.70%	12.79%	124.37%
Canadian Dollar	7,930,156	0.81%		20.42%	40.77%	99.60%
Lean Hogs	4,153,543	0.42%	LOW	50.51%	100.01%	98.02%
Lumber	236,241	0.02%	LOW	53.67%	105.28%	96.19%
Wheat	10,114,098	1.03%	HIGH	27.91%	49.62%	77.77%

Market	Volume	Volume%	Volume Rank	Large Speculators		Difference%
				Short	Long	
Gold	15,890,617	1.62%	HIGH	4.43%	31.30%	606.55%
Canadian Dollar	7,930,156	0.81%		6.39%	41.73%	552.99%
Platinum	376,179	0.04%	LOW	5.39%	34.65%	542.59%
10-Year T-Notes	215,124,076	21.89%	HIGH	6.25%	37.60%	501.70%
Orange Juice	902,019	0.09%	LOW	16.97%	94.47%	456.75%
Cocoa	2,582,927	0.26%	LOW	9.97%	50.28%	404.55%
Japanese Yen	12,471,672	1.27%		11.96%	45.17%	277.72%
Eurodollars	410,355,384	41.75%	HIGH	30.42%	112.02%	268.22%
Crude Oil	59,650,468	6.07%	HIGH	5.82%	19.62%	237.39%
Lean Hogs	4,153,543	0.42%	LOW	40.70%	119.85%	194.49%

Market	Volume	Volume%	Volume Rank	Commercials		Difference%
				Short	Long	
10-Year T-Notes	215,124,076	21.89%	HIGH	2.26%	28.54%	1162.30%
Lean Hogs	4,153,543	0.42%	LOW	7.66%	86.78%	1033.31%
Gold	15,890,617	1.62%	HIGH	7.28%	54.59%	649.86%
Wheat	10,114,098	1.03%	HIGH	11.29%	82.75%	633.07%
Eurodollars	410,355,384	41.75%	HIGH	11.90%	70.86%	495.27%
Heating Oil	13,135,581	1.34%	HIGH	7.87%	45.07%	472.97%
Canadian Dollar	7,930,156	0.81%		6.22%	33.50%	438.31%
Swiss Franc	7,784,498	0.79%		14.29%	49.11%	243.64%
Platinum	376,179	0.04%	LOW	12.75%	43.39%	240.40%
Soybean Oil	7,676,130	0.78%		48.73%	127.33%	161.32%

Table 3.2

3.3. Comparison of results with other studies

Based on the findings of Chapter 3., the studies presented in Chapter 2. are going to be confirmed and/or criticized in the following:

3.3.1 Jiler (1985)

Jiler's first illustration on the reliability of COT data on price movements takes sugar as an example. It is interesting to note, that Jiler, back in 1985 selected one of the best correlating markets - according to this paper's study. He also highlights the commitments' reliability on wheat as well, which is also confirmed (wheat ranks as the fourth most dependable market over the long-term large and in case of speculators' positions).

His remaining two examples (corn and soybean) are also ranked among the best correlating markets (long-term large speculators: 7^{th} and 6^{th}; short-term commercials: 4^{th} and 9^{th}, respectively).

3.3.2 Briese (1990)

Briese also takes sugar as his first example. His choice is confirmed by the correlation studies performed in this paper, since sugar's futures market ranks the first on many

previously presented rankings (e.g. large speculators over short and long-term; commercials over short and long-term).

His next example takes a look at the S&P 500 Index futures and details its exceptional reliability. The performed correlational tests confirm Briese's findings, especially in case of commercial and small trader reliabilities (commercial short-term 2nd, long-term 3rd; small traders short-term 2nd, long-term 1st). His example on gold tested the commercials' reliability and found poor results. His findings are confirmed – while Briese found about 33% of reliability, this study measured it around 36%. Meanwhile he failed to identify the small speculators' edge on this market. This trader group would have shown him a much better track record, about 57%.

3.3.3 Barrie (1996)

Barrie's seasonality tests put much attention on the intra-year moves of small traders on the market of corn. Table 3.1 shows that this group of traders is about 2-3 times more reliable indicator of future price movements on the short-term (100-Day MA), than it will become on the long run. This observation may support Mr. Barries findings. On the other hand, his pork belly analysis is criticized, since large trader reliabilities are found to be more significant factors than small speculators'.

3.3.4 Bianco (2004)

Mr. Bianco's first example on the large speculator's poor performance in the S&P 500 Index futures is confirmed by this paper. While commercial and small trader reliability is among the highest, large speculators' are ranked 14th both over the long and short-term.

His example on crude oil is also supported, since this market was found to be one of the poorest in terms of sentiment and price correlation.

3.3.5 Williams (2005)

Williams' findings on the small speculators' reliability in the market of gold is confirmed by the statistical analyses of this paper (see. Table 3.3):

Markets	Industry	100-Day MA			200-Day MA			400-Day MA			600-Day MA		
		Commercials	Large Traders	Small Traders	Commercials	Large Traders	Small Traders	Commercials	Large Traders	Small Traders	Commercials	Large Traders	Small Traders
Gold	Metals	-0.31%	-3.73%	[illegible]	-6.97%	-0.70%	[illegible]	-18.97%	11.19%	41.07%	-35.62%	20.11%	56.56%

Table 3.3

The highlighted cells show the reliability of small traders on gold over the observed time frames. The positive figures mean that their positive/negative sentiment grows hand in hand with price increases/declines. Williams concludes that fading the small speculators' extreme sentiments could be a sound trading methodology on this market.

Figure 3.2 illustrates the tendencies of moving averages and the price action.

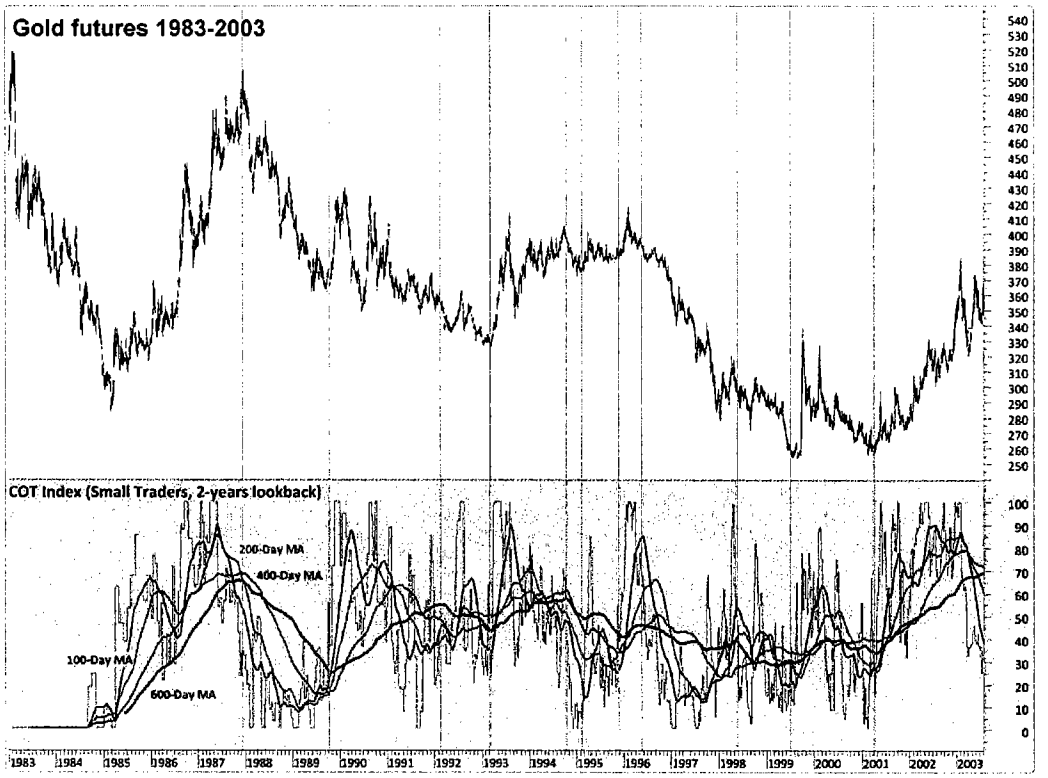

Figure 3.2

3.3.6 Lightner (1999)

Lightner begins his explanation by the presentation of a chart on Soybean oil futures. The studies of this paper found that this contract tends to be the second best correlating market with the positions of large speculators and commercials. Although other markets may show lower correlations, the typical behaviour of market participants is found to be in line with Lighthner's findings.

3.4 Conclusions of the study

The summation of correlation coefficients provided a good measure on the relative strenght of traders' reliabilities on market price forecasting, over different time-frames. The calculations showed that large speculators' long-term average indexed positions are the most correlated to price trends, on average. The following list shows the most reliable trader group/time frame combinations:

1. **Large speculators /long-term**
2. **Commercials /long-term**

3. **Small speculators** **/long-term**
4. **Small speculators** **/short-term**
5. **Large speculators** **/short-term**
6. **Commercials** **/short-term**

Studies also showed, that particular markets produce significantly better reliabilities on a longer term time horizon, than over the short term (see Table 3.2). Table 3.1 (presented in section 3.2) confirms the longer term nature of interest rate and equity index futures markets and indicates their reliability among highest of all results:

1. **S&P 500** 1000-Day MA (Commercials): **-86.72%**
2. **Eurodollars** 1000-Day MA (Large Traders): **84.80%**
3. **Sugar** 600-Day MA (Large Traders): **75.58%**

Some of the markets that received higher scores are closely related to strong market cycles. Equity and interest rate markets are cyclical in nature, and highly influenced by expanding or recessing economic factors. Cycles are found to be present on the market of sugar as well; several publications regard them as one of the most influential force over the whole industry. For example Mehta (2000) describes sugar market as strongly cyclical in nature, that "leeds the severe fluctuations in prices of feedstock[37]".

Another approach to better understand the results would suggest the analysis of risk structure of those industries that showed better correlations. 11 out of the 16 analyzed agricultural markets showed above the average reliabilities and five of them proved to be exceptional. The reason behind this performance may be found in the books of producing and processing companies. If those firms' profit margins are weak, a relatively smaller increase/decrease of raw material prices could distort their revenue/cost base. In order to seek the inevitable protection, these companies would turn to financial exchanges to guarantee fixed future prices.

Financials on the shorter terms and energy futures on all terms, however, failed to result significant reliabilities. Companies operating in these industries earn much higher[38] average profit margins than the previously discussed agricultural and chemical firms. This finding may explain their poorer results. The longer term variability of interest rates or stock market indices, though, could induce several undesired risks (for example on long-term lending

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[37] Raw material

[38] According to the figures provided by Yahoo! Finance's Industry Browser

facilities or equity investments) that desires effective management. To seek protection, these companies would also turn to financial exhanges.

The link between profit margins and price risk management is demonstrated by an example from the airlines industry. Airline companies are extremely dependent on jet fuel prices, however they failed to secure themselves against adverse price movements in the previous years. According to the statistics of International Air Transport Association (IATA), only 20% of the fuel exposure of major airlines were hedged in 2005, resulting in significant industry-wide losses. According to Grossman's article (2005) Southwest Airlines was the only major air carrier in the U.S. which properly hedged its fuel exposure. The company's income statements show the results: consistant profits were made between 2003-2005, despite the fact that oil prices doubled (2003: $442 million, 2004: $313 million, 2005: $548 million). United Airlines, on the other hand, did not impose proper price risk management, and made heavy losses during the same timeframe (2003: -$27 million, 2004: -$15 million, 2005: -182 million).

4. Concluding on Market Dynamics

The last major part of this paper attempts to put the various findings of previous chapters together and conclude on the real dynamics of futures markets.

4.1 Efficiency vs. inherent returns

According to the efficient markets hypothesis, an efficient market always has to trade on its fundamental value, since the buyers and sellers have full information about the supply and demand. It is also said that superior profit opportunities cannot exist, since news become incorporated into the prices instantly. If these assumptions are true, their opposite has to be true as well - whereas inefficient markets never trade on their fundamental value because buyers and sellers are unaware of all information. Moreover, profit opportunities exist since news do not become incorporated into prices instantly. It means, that traders become entitled to superior profits; those, who are taking positions that forces the prices back towards equilibrium. Based on the tests performed by this and several other studies, the actions of certain groups of traders on certain markets found to be consistent forecasters of future price action. The reliability of these forecasts could be a good measure of market inefficiencies and could rank the potential profitability factor of traders that lead the market back toward the equilibrium.

Another hypothesis (presented in Section 2.6), assumes the presence of inherent returns for those, who are willing to take on the risks. But what are those risks? Such factors that deviate prices from equilibrium, or those which take them back to balance? Lightner (1999) explains that there are two types commercials: those who would like to buy from the market at the cheapest possible price and those who would like to sell to the market and wish high prices. Whenever prices reach levels, that are regarded attractive by one of these commercial groups to secure in some future profits, they begin to sell/buy. Their only risk is that prices go further up/down. Since they are not in the business of speculation, the coming prices will not be much of a concern, their product has been sold/bought with an accepted premium/discount on their costs/revenues. Speculators on the other side of the transaction have bought/sold futures contracts and will achieve profits if prices go further up/down. Inherent returns hypothesis suggest that the speculators who enabled the company to secure his future profits have to be rewarded by the continuation of rising/falling prices. The inversion of efficient market hypothesis states that speculators earn superior profits until they direct the prices toward equilibrium. To comply with both theories, prices have to change towards the balance to enable speculators to achieve superior gains.

As prices advance/decline, the commercial which sold/bought previously is expected to sell/buy more if prices continue to rise/fall. This results in even more bullish/bearish speculative positions. The result of this trend will be an inevitable overshooting effect to the opposite side of the equilibrium. From this point onwards, speculators who are buying/selling will not be able to earn superior profits, since commercial sellers/buyers will become the ones who (through their sales/purchases) take the market back to balance.

The previously presented logic also proves that both theories are good describers of market dynamics; the only difference between them is their initial assumption. While the efficient market hypothesis is based on equality and absolute perfection, the thesis of inherent returns accepts the markets' inefficient nature and reward those, who direct prices back towards the equilibrium.

4.2 Effects of risk aversion

Agricultural producers know a lot about the fundamentals, they plant the seeds and manage the whole crop production until the harvest. But there are several factors that even they cannot manage. Changes in weather or sudden breaking news are just two out of the many unforeseen events that are impossible to be known in advance.

The reason behind certain market participants' exceptional forecasting history could be explained by their psychological background. Kahneman and Tversky (1979) found that "individuals are much more distressed by prospective losses than they are happy by equivalent gains". People consider a unit of loss many times as painful as earning a same unit of extra-profit. This behavioural pattern toward risks supports Chapter 3.'s assumption that relates the size of profit margins to the willingness of price risk management:

If a commercial corporation operate with relatively smaller profit margins (and agricultural companies surely do), their overall profitability depends on the price of the product they deal with. If prices for whatever reason become more favorable for them than they were before, such companies will instantly start to lock in the better prices by selling/buying futures contracts. As price continue to become more attractive (either rise or fall) they will lock in even more of their production. This procedure will last until prices reverse their direction. This simple psychologic factor could be the basis of the observed patterns of traders' commitment changes. As commercials react to relatively smaller price changes by their risk management decisions, speculators receive the opportunities to profit from their market shifting actions. Thus, the more risk averse are the commercials, the more correlation will exist between their actions and price movements.

Conversely, on markets that offer higher profit margins for the commercials, the previously described price following effect becomes less important since a few percentage change in raw material or wholesale prices will have only a slight effect on their overall profitability. This logic explains why the reliabilities on energy and metals markets proved to be insignificant and also assumes that these markets become balanced by itself and not by a single group of traders.

Final Thoughts

Content limitations of this paper did not make it possible to employ wider array of more precise data analysis techniques to the available dataset and also limited the number of presentable studies and theories. Data availability limited the research to the United States and disregarded the positions on the over-the-counter market[39].

Still, the results show - beyond the raw statistics and unbiased reasoning – that human psychology is the root of all market participants' behaviour and it is also the ultimate driver of the dynamics of futures trading.

[39] Deals that are negotiated between the contracting parties, outside organized exchanges. The size of this market is quite remarkable, around 4-6 times the size of the exchange traded markets - according to the data provided by the Bank of International Settlements (BIS)

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Software used

Microsoft Word (word processing, creating the final form of the dissertation)

Microsoft Excel (creating tables and calculating moving averages, correlations)

Equis Metastock 9.0 (creating and commenting price charts)

APPENDICES

Appendix 1. Futures Basics[1]

Futures are contractual agreements made between two parties through a regulated futures exchange. The parties agree to buy or sell an asset - livestock, a foreign currency, or some other item - at a certain time in the future at a mutually agreed upon price. Each futures contract specifies the quantity and quality of the item, expiration month, the time of delivery and virtually all the details of the transaction except price, which the two parties negotiate based on current market conditions. Some futures contracts call for the actual, physical delivery of the underlying commodity or financial instrument at contract termination. Others simply call for a cash settlement at contract termination. Generally, however, market participants do not hold their futures contracts until termination but rather offset futures contracts they have bought ("gone long") by a subsequent sale; or, offset futures contracts they have sold ("gone short") by a subsequent purchase.

In broadest terms, futures are about anticipated future prices of basic commodities and financial instruments, based on current information. Futures are concerned with such questions as what will the price of cattle be next December? What will interest rates be in six months? How much will a euro be worth in May?

Because commodity prices are constantly changing, virtually all businesses face ongoing price risk. Meat processors face risk from fluctuating cattle prices, lenders from changing interest rates, and international businesses from varying currency rates. All these businesses can use futures to help manage their exposure to price risk.

Futures contracts – price agreements – are bought and sold in what is basically a marketplace of opportunity for two symbiotic groups: hedgers, who seek to offset price risk, and speculators, who try to make a profit from favorable price fluctuations. Hedgers are typically businesses and financial institutions who buy and sell futures contracts seeking to "lock in" future prices for commodities that are essential to their business operations. Speculators are a diverse group that includes day traders, financial institutions such as banks and hedge funds, and arbitragers. These groups are brought together at a futures exchange, which provides a venue where their orders may interact on a trading floor or a computer network, and where price agreements can be negotiated.

Traders' decisions generally aren't random, but are based on a synthesis of a great deal of data and a variety of different strategies. Some people make trading decisions based on fundamental analysis of the forces of supply and demand in a commodity market ("fundamental analysis"); others trade based on an analysis of market trends and price chart patterns ("technical analysis").

Because futures prices represent the aggregate of all available information that may affect the market, they are viewed as reflecting a process of "price discovery." Prices change constantly in response to numerous factors, ranging from weather and wars to political decisions and popular trends. The futures markets assimilate that information and provide a means of determining the price above which buyers will not buy and below which sellers will not sell – the "equilibrium" price – where the supply to be sold and the demand to buy are in balance. The price of futures and the underlying cash markets on which futures are based tend to come together or "converge" by contract expiration. The price of a futures contract at expiration and the cash ("spot") price of the underlying asset must be the same, because both refer to the same asset are basically equivalent, because both prices refer to the same asset.

[1] Source: Chicago Mercantile Exchange Education, www.cme.com

Appendix 2. Futures compared to Equities[2]

People who are new to futures markets are sometimes unclear about the differences between futures and stocks. Although futures and stocks do have some things in common, they are based on quite different premises. Futures are contracts with expiration dates, while stocks represent ownership in a company. The following chart may help delineate the major differences between them.

	Futures	Stocks
Trading	Traded at an organized exchange	Traded at an organized exchange or over-the-counter
Represents	A commitment to buy or sell something in the future at an agreed upon price	Ownership of a corporation
Issued by	A futures exchange, which writes the terms of each contract and makes it available for trading, but does not specifically issue it Buyers and sellers create an obligation when they enter into futures contracts	A corporation
Maximum number that can be issued	No limit to the number of futures contracts that can be	Set by corporate charter There are, however, position limits and position accountability in stock index futures
Investing	Can be traded in expectation of making a profit, but can be a zero sum game	Long-term positive expectation of return, but no guarantee of profit
Cash Flows	In and out flows to traders' accounts are based on daily marking to market – a debiting or crediting of each futures account based on that day's changes in the price of the contract(s) held in each account	May receive dividends
Leverage	Highly leveraged	May be leveraged if purchased on margin, with a 50 percent margin being the standard (considered a loan from broker with interest required)
Ability to Sell Short	Yes, as easily as buying long; no uptick in price necessary	Permitted under special circumstances. A short sale can only be made on an uptick – when the stock price has gone up a tick
Time	Typically short term Fixed maturity/expiration date, usually less than one year	Typically, but not always, long term Stocks are perpetual instruments so long as the underlying company remains solvent
Money	Buyers and sellers deposit a designated performance bond in an account; the amount is a percentage of the current value of the contract	Buyer purchases shares
	As contract prices change, the accounts are debited or credited accordingly	Margin may be paid as a down payment in some cases
		Broker may ask for a margin call – a request for additional money from the person buying or selling on margin due to additional price changes in the stock
Monitoring	Traders must be aware of expiration day and last trading time	

[2] Source: Chicago Mercantile Exchange Education, www.cme.com

Appendix 3. Volume statistics of the futures industry[3]

The 40 largest futures exchanges in the world[4]

1 Chicago Mercantile Exchange, USA
2 Eurex, EU
3 Chicago Board of Trade, USA
4 Euronext, EU
5 Bolsa de Mercadorias & Futuros, Brazil
6 New York Mercantile Exchange, USA
7 National Stock Exchange of India
8 Mexican Derivatives Exchange
9 DaLian Commodity Exchange, China
10 London Metal Exchange, UK
11 Tokyo Commodity Exchange, Japan
12 Sydney Futures Exchange, Australia
13 Korea Futures Exchange, Korea
14 ICE Futures (IPE), UK
15 JSE Securities Exchange South Africa
16 OMX Exchanges, Sweden
17 Shanghai Futures Exchange, China
18 New York Board of Trade, USA
19 Zhengzhou Commodity Exchange, China
20 Singapore Exchange, Singapore
21 Tokyo Grain Exchange, Japan
22 MEFF, Spain
23 Tokyo Stock Exchange, Japan
24 Central Japan Commodity Exchange, Japan
25 Montreal Exchange, Canada
26 Osaka Securities Exchange, Japan
27 Hong Kong Exchanges and Clearing—Derivatives Unit, China
28 Rosario Futures Exchange, Argentina
29 Tokyo International Financial Futures Exchange, Japan
30 Italian Derivatives Market of the Italian Stock Exchange, Italy
31 Taiwan Futures Exchange, Taiwan
32 Budapest Stock Exchange, Hungary
33 OneChicago, USA
34 Warsaw Stock Exchange, Poland
35 Kansas City Board of Trade, USA
36 Malaysia Derivatives Exchange Berhad
37 Oslo Stock Exchange
38 Eurex US
39 Winnipeg Futures Exchange, Canada
40 Osaka Mercantile Exchange, Japan

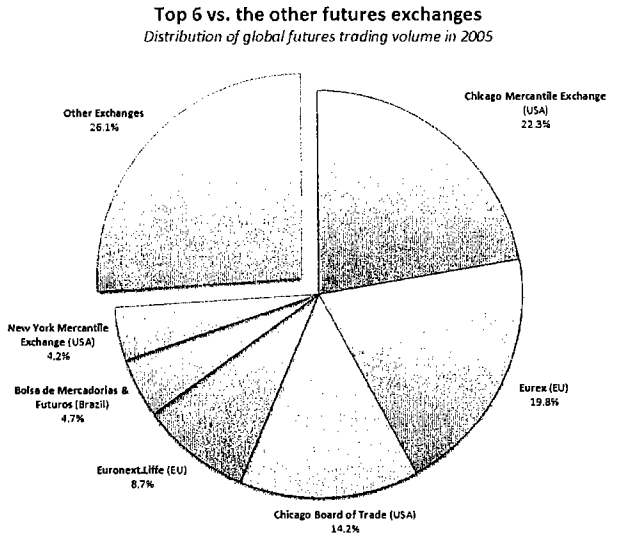


Figure A-3.1

[3] All lists, charts and graphs in this section were created based on the data published by the Futures Industry Association (FIA) and the Commodity Futures Trading Commission (CFTC)

[4] Description of marked exchanges can be found in Appendix 5. and 6.

U.S. Futures Trading Volume

1995-2005

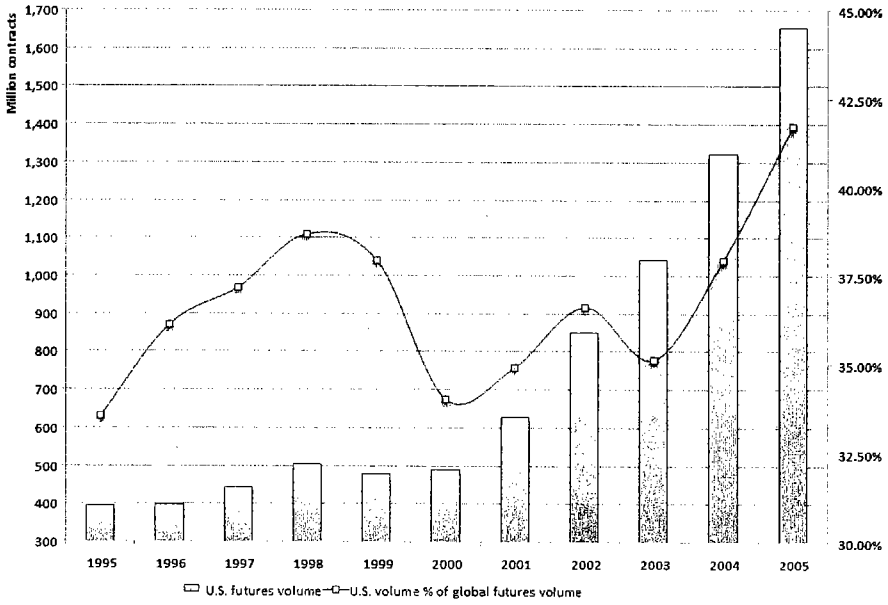


Figure A-3.2

Growth of U.S. and International derivatives exchanges

1994-2005

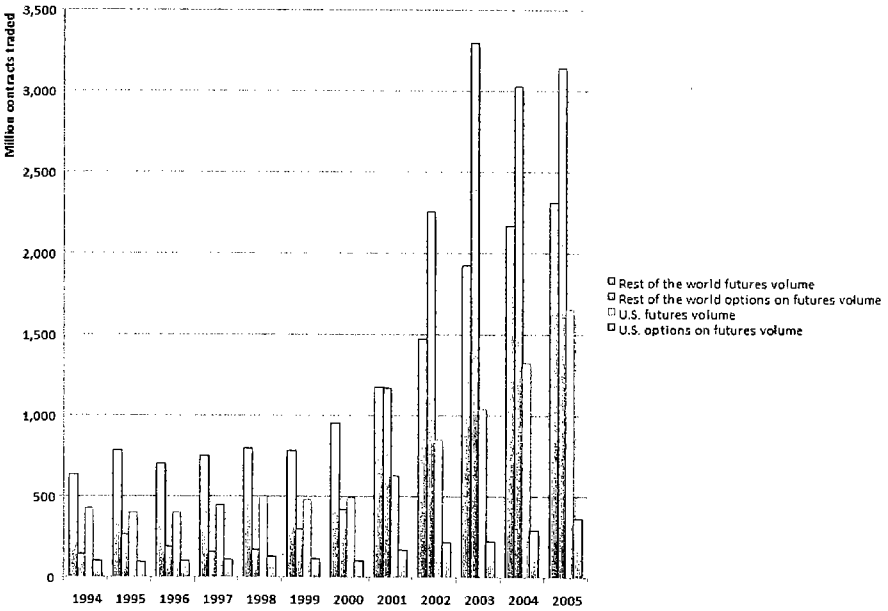


Figure A-3.3

Futures Trading Volume

By major contract groups, in the U.S.
1999-2005

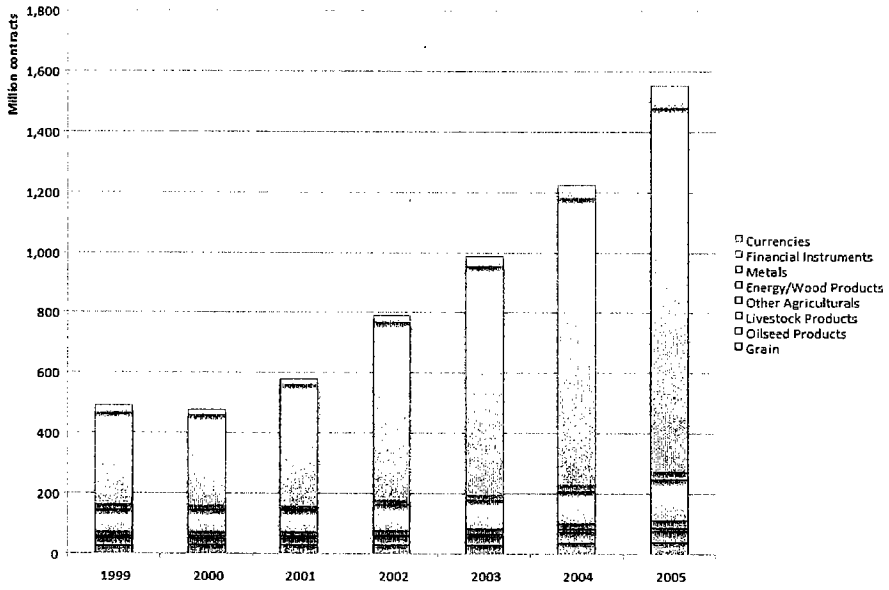


Figure A-3.4

Distribution of Trading Volume

Among the main futures contract groups in 2005, in the U.S.
(in no. of contracts traded)

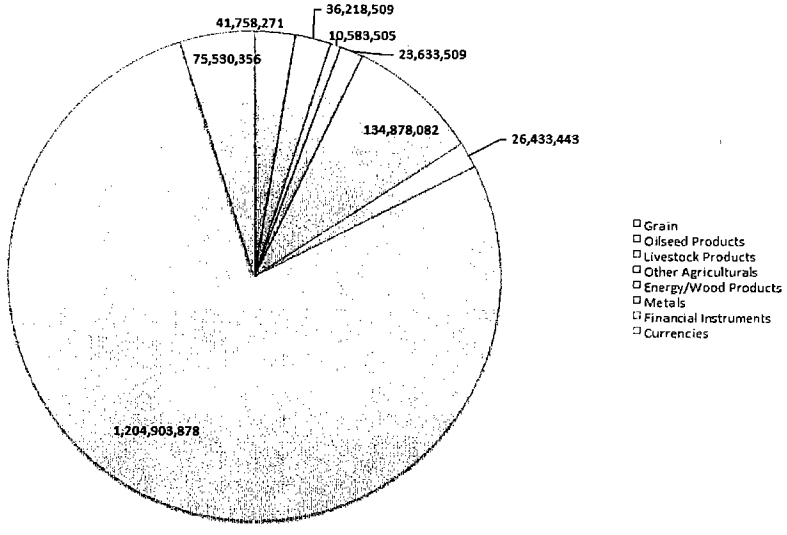


Figure A-3.5

Average Month-end Open Interest

By major futures contract groups, in the U.S.
1999-2005

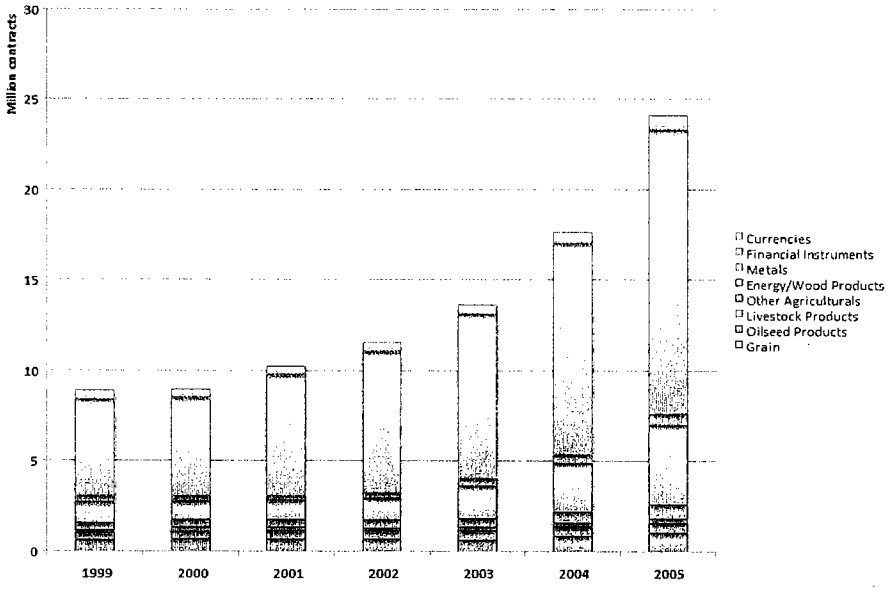


Figure A-3.6

Distribution of Total Average Month-end Open Interest

Among the main futures contract groups in 2005, in the U.S.
(in no. of open contracts)

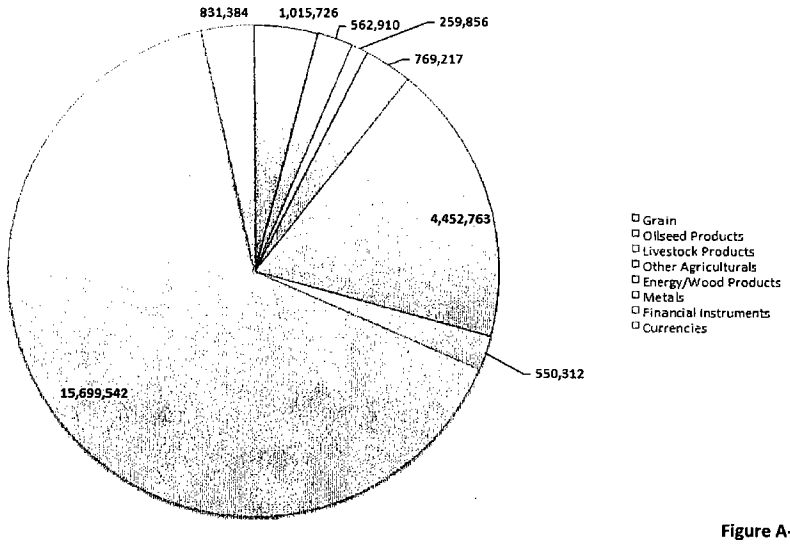


Figure A-3.7

Largest futures contracts in the U.S. based on the value of their open interest

The figures were calculated by multiplying February 21, 2006 open interest figures by the value of each contract (price × contract size).

Rank	Category	Market	Exchange	Value of all open contracts[5]
1	Interest rate	3 MONTH EURODOLLARS	CME[6]	$3,928,144,482,000
2	Interest rate	10 YEAR U.S. TREASURY NOTES	CBOT[7]	$272,818,800,000
3	Index	S&P 500 STOCK INDEX	CME	$236,859,280,000
4	Interest rate	5 YEAR U.S. TREASURY NOTES	CBOT	$178,445,970,000
5	Interest rate	2 YEAR U.S. TREASURY NOTES	CBOT	$105,674,556,000
6	Interest rate	U.S. TREASURY BONDS	CBOT	$93,801,300,000
7	Energy	CRUDE OIL, LIGHT SWEET	NYMEX[8]	$91,392,392,410
8	Index	E MINI S&P 500 STOCK INDEX	NYMEX	$79,737,667,500
9	Energy	NATURAL GAS	NYMEX	$68,185,324,400
10	Currency	JAPANESE YEN	CME	$26,635,762,500
11	Currency	EURO FX	CME	$25,766,640,000
12	Metal	GOLD	COMEX[9]	$24,314,916,880
13	Index	RUSSEL 2000 STOCK INDEX (MINI)	CME	$20,387,590,000
14	Interest rate	30 DAY FEDERAL FUNDS	CBOT	$15,886,079,167
15	Agricultural	CORN	CBOT	$14,934,000,000
16	Energy	NO. 2 HEATING OIL, N.Y. HARBOR	NYMEX	$14,086,784,544
17	Agricultural	SUGAR NO. 11	NYBOT[10]	$14,039,738,899
18	Agricultural	SOYBEANS	NYBOT	$13,735,200,000
19	Index	NASDAQ100 STOCK INDEX (MINI)	CME	$12,955,712,000
20	Energy	UNLEADED GASOLINE, N.Y. HARBOR	NYMEX	$12,827,404,800
21	Index	RUSSEL 2000 STOCK INDEX FUTURE	CME	$11,079,918,000
22	Currency	BRITISH POUND STERLING	CME	$10,998,521,875
23	Index	NASDAQ100 STOCK INDEX	CME	$10,982,710,600
24	Currency	SWISS FRANC	CME	$10,827,900,000
25	Currency	CANADIAN DOLLAR	CME	$10,812,540,000

[5] As of 21.02.2006

[6] Chicago Mercantile Exchange

[7] Chicago Board of Trade

[8] New York Mercantile Exchange

[9] Commodity Exchange Inc., a subsidiary of the New York Mercantile Exchange

[10] New York Board of Trade

Appendix 4. Major futures exchanges in the U.S.

The Chicago Mercantile Exchange

Chicago Mercantile Exchange

The motto of CME

„As the largest derivatives exchange in the world by most measures, CME is committed to serving *our* customers and shareholders and helping them achieve their business and investment objectives in a changing world."

Official Introduction

CME is the largest futures exchange in the United States and also owns and operates the largest futures Clearing House in the world. CME products fall into five major areas: interest rates, equities, foreign exchange, agricultural commodities and alternative investments. Two forums are available for trading CME products: the long-standing open outcry trading floors and the CME® Globex® electronic trading platform. The CME Clearing House guarantees, clears and settles every contract traded through the Exchange. Founded as a not-for-profit corporation in 1898, CME became the first publicly traded U.S. financial exchange in December 2002 when the Class A shares of its common stock began trading on the New York Stock Exchange under the ticker symbol CME.

Products traded on the exchange[11]

CME Interest Rate Products:	**Eurodollar**, Eurodollar FRA, LIBOR, Swap Futures, 13-week T-bills, Euroyen, 28-day TIIE, 91-day CETES, Turn Rate Futures, Japanese Government Bonds, CPI Futures, Mid-Curve Options
CME Equity Products:	**S&P 500**, NASDAQ-100, E-mini NASDAQ Composite, S&P MidCap 400, S&P SmallCap 600, Russell 2000, S&P 500 Barra/Growth, SPCTR Futures, X-Funds, Futures on ETFs, E-mini S&P 500, E-mini NASDAQ-100, Nikkei 225, E-mini S&P MidCap 400, E-mini Russell 1000, E-mini Russell 2000, S&P 500/Barra Value, Goldman Sachs Commodity Index (GSCI)
CME Foreign Exchange Products:	Australian Dollar, **British Pound**, USD Index, Czech Koruna, E-mini Japanese Yen, Hungarian Forint, Mexican Peso, Norwegian Krone, Russian Ruble, Swedish Krona, Brazilian Real, Canadian Dollar, E-mini Euro FX, **Euro FX**, **Japanese Yen**, New Zealand Dollar, Polish Zloty, South African Rand, **Swiss Franc**, Euro FX/Australian Dollar, Euro FX/Canadian Dollar, Euro FX/Hungarian Forint, Euro FX/Norwegian Krone, Euro FX/Swedish Krona, Australian Dollar/Canadian Dollar, Australian Dollar/Japanese Yen, British Pound/Japanese Yen, Swiss Franc/Japanese Yen, Euro FX/British Pound, Euro FX/Czech Koruna, Euro FX/Japanese Yen, Euro FX/Polish Zloty, Euro FX/Swiss Franc, Australian Dollar/New Zealand Dollar, British Pound/Swiss Franc, Canadian Dollar/Japanese Yen
CME Commodity Products:	Feeder Cattle, Live Cattle, Butter, Milk (Class III), Milk (Class IV), Nonfat Dry Milk, **Frozen Pork Bellies**, **Lean Hogs**, Random Length Lumber, DAP, UAN, Urea
CME Alternative Investm. Products:	US Monthly Weather, US Seasonal Weather, European Monthly Weather, European Seasonal Weather, Asia-Pacific Monthly Weather, Asia-Pacific Seasonal Weather, Ethanol

[11] Contract specifications of the marked contracts are listed in Appendix 6.

The Chicago Board of Trade

The Chicago Board of Trade (CBOT®), established in 1848, is a leading futures and futures-options exchange. More than 3,600 CBOT member/stockholders trade 50 different futures and options products at the CBOT by open auction and electronically. Volume at the Exchange in 2005 surpassed 674 million contracts, the highest yearly total recorded in its history.

In its early history, the CBOT traded only agricultural commodities such as corn, wheat, oats and soybeans. Futures contracts at the Exchange evolved over the years to include non-storable agricultural commodities and non-agricultural products. In October 2005, the CBOT marked the 30th anniversary of the the Exchange's first financial futures contract, based on Government National Mortgage Association mortgage-backed certificates. Since that introduction, futures trading has been initiated in many financial instruments, including U.S. Treasury bonds and notes, 30-Day Federal Funds, stock indexes, and swaps, to name but a few. Another market innovation, options on futures, was introduced in 1982. The CBOT added a new category to its diverse product mix in 2001 with the launch of 100 percent electronic Gold and Silver futures contracts. CBOT South American Soybean futures and Ethanol futures, the Exchange's newest products, were introduced in 2005 in response to shifting trends in the global agricultural economy.

For decades, the primary method of trading at the CBOT was open auction, which involved traders meeting face-to-face in trading pits to buy and sell futures contracts. But to better meet the needs of a growing global economy, the CBOT successfully launched its first electronic trading system in 1994. During the last decade, as the use of electronic trading has become more prevalent, the Exchange has upgraded its electronic trading system several times. Most recently, on October 12, 2005, the CBOT successfully launched its newly enhanced electronic trading platform, e-cbot, powered by LIFFE CONNECT®, by introducing a major API upgrade.

Whether trading futures and options on futures through an electronic platform or open auction, the CBOT's primary role is to provide transparent and liquid contract markets for its member/stockholders and customers to use for price discovery, risk management and investment purposes. These futures markets also allow speculators throughout the world to interpret economic data, news and other information and use that information to make decisions about price and enter the futures markets as investors. Speculators bridge the gap between hedgers' bids and offers, thereby making the market more liquid and cost effective.

The governing body of the Exchange consists of a President and CEO; Chairman; Vice Chairman and 14 other directors.

Products traded on the exchange:

CBOT Agriculturals:	**Corn**, Oats, Rough Rice, **Soybeans**, Ethanol, **Wheat**, Soybean Meal, Soybean Oil, South American Soybeans, Mini-sized Corn, Mini-sized Wheat, Mini-sized Soybeans, Soybean Crush
CBOT Interest Rates:	30 Year U.S. Treasury Bond, **10 Year U.S. Treasury Note**, 5 Year U.S. Treasury Note, 2 Year U.S. Treasury Note, 10 Year Interest Rate Swap, 5 Year Interest Rate Swap, Mini-sized Eurodollar, 30 Day Federal Fund
CBOT Dow:	Mini-sized Dow ($5), DJIA Futures ($10), BIG Dow ($25), Dow Jones AIG Index
CBOT Metals:	100 oz Gold, Mini-sized Gold, 5,000 oz Silver, Mini-sized Silver

The New York Mercantile Exchange

The New York Mercantile Exchange, Inc., is the world's largest physical commodity futures exchange and the preeminent trading forum for energy and precious metals. The Exchange has stood for market integrity and price transparency throughout its 132-year history. Transactions executed on the Exchange avoid the risk of counterparty default because the Exchange clearinghouse acts as the counterparty to every trade. Trading is conducted through two divisions, the NYMEX Division, home to the energy, platinum, and palladium markets; and the COMEX Division, on which all other metals trade.

The Exchange pioneered the development of energy futures and options contracts 26 years ago as means of bringing price transparency and risk management to this vital market. The Exchange plays a vibrant role in the commercial, civic, and cultural life of New York. It provides thousands of jobs in the financial services and allied industries and, through the New York Mercantile Exchange Charitable Foundation, supports cultural and social service programs in the downtown community as well as broader charitable endeavors in the metropolitan area.

Products traded on the exchange:

NYMEX Energies:	**Light Sweet Crude Oil**, Natural Gas, Heating Oil, Gasoline, RBOB Gasoline, Electricity, Propane
COMEX Metals:	**Gold**, **Silver**, Copper, Aluminum, Platinum, Palladium

The New York Board of Trade

The New York Board of Trade® (NYBOT®) provides the world's premiere futures and options markets for several internationally traded agricultural commodities: cocoa, coffee, cotton, frozen concentrated orange juice (FCOJ) and sugar. For well over a century, representatives of these primary commodity industries have joined traders and investors in the New York Board of Trade (NYBOT) markets to engage in price discovery, price risk transfer and price dissemination for these products. New York's original futures exchange also provides futures and options markets for currency cross rates, as well as for the Russell Equity Indexes, NYSE Commodity Index®, Reuters Jefferies CRB Index, and the US Dollar Index® (USDX®), along with new markets for Ethanol and Pulp.

This history began with the founding of the New York Cotton Exchange (NYCE®) in 1870 (cotton futures), followed by the Coffee Exchange of the City of New York in 1882 (coffee futures).

- The Coffee Exchange added sugar futures in 1914 and became the Coffee and Sugar Exchange in 1916.
- The New York Cocoa Exchange began operations in 1925 and merged with the Coffee and Sugar Exchange in 1979 to form the Coffee, Sugar & Cocoa Exchange, Inc. (CSCE).
- The New York Cotton Exchange (NYCE) began trading Frozen Concentrated Orange Juice futures in 1966.
- Options on agricultural futures were first added in 1982 (on sugar futures).
- In 1985 the NYCE began trading currency futures on its FINEX division.
- In 1994, NYCE opened a trading floor in Dublin for FINEX and added a number of currency cross rate futures contracts. Stock and commodity index futures also began trading the same year.
- The CSCE and NYCE formed the Board of Trade of the City of New York, Inc. as a parent company in 1998, a merger process completed in June 2004 when the two exchanges became the New York Board of Trade (NYBOT).

September 11, 2001, was a difficult and defining moment for the NYBOT exchanges when the destruction of the World Trade Center forced NYBOT to re-locate to its back up facility in Long Island City and remain there for two years. In 2003, NYBOT moved into a new state-of-the-art facility in the World Financial Center. With that return, the New York Board of Trade continued its long history in Lower Manhattan of providing effective risk management tools for major international industries and opportunities for well-informed investors.

Products traded on the exchange:

NYBOT Agriculturals:	Cocoa, Coffee, Cotton, Frozen Concentrated Orange Juice, **Sugar**, Ethanol, Pulp
NYBOT Indexes:	FINEX Euro Index, USD Index, Reuters Jefferies CRB, Continuous Commodity Index, NYSE Composite, Russel 1000 Large Cap Index, Russel 2000 Small Cap Index, Russel 3000 Index, Russel 1000 Growth Index, Russel 2000 Value Index

Appendix 5. Major futures exchanges outside the U.S.

Eurex, EU

Eurex is the world's largest futures and options exchange[12] and is jointly operated by Deutsche Börse AG and SWX Swiss Exchange. The Exchange is the market place of choice for trading and clearing of derivatives. Eurex has been a pioneer in electronic trading of derivative products for more than a decade, and it offers its customers open, democratic, simple, and cost-effective access from any point around the globe. The trading participants are connected to the Eurex system via a communications network; at present, some 700 locations worldwide are connected to Eurex.

Together with international trading houses, Eurex operates the electronic network (ECN) Eurex Bonds, an over-the-counter market for cash and basis trading in fixed income securities and treasury discount papers. Eurex Repo, which is a separate segment, is the electronic trading solution for repos (sale and repurchase agreements).

Aside from operating a fully electronic trading platform, Eurex provides an automated and integrated joint clearing house for products and participants, thereby achieving a centralized, cross-border risk management. With this structure, participants benefit from a high-quality, cost-efficient and comprehensive value chain of services covering the entire spectrum from trading to final settlement via a single electronic system.

Operating as a lean, entrepreneurial organization Eurex strives to fulfill customer demand. Its team of dedicated professionals does its utmost to offer every class of investor the advantages of having spot and futures markets as well as related clearing and settlement activities all fully integrated under one roof.

Products traded on the exchange:

EUREX Interest Rates:	Euro Schatz, Euro Bobl, Euro Bund, Euro Buxl, CONF, One-Month EONIA, Three Month EURIBOR
EUREX Equity Indexes:	DAX, MDAX, TecDAX, SMI, SMIM, OMXH25, Dow Jones Global Titans 50, Dow Jones Italy Titans 30, Dow Jones EURO STOXX® 50 Index, Dow Jones STOXX® 50 Index, Dow Jones STOXX® 600 Index, Dow Jones STOXX® Mid 200 Index, Dow Jones EURO STOXX® Sector Indexes, Dow Jones STOXX® Sector Indexes
EUREX Volatilities:	VDAX-NEW, VSMI, VSTOXX
EUREX Exchange Traded Funds:	DAX EX, DJ EURO STOXX 50 EX, iShares DJ EURO STOXX 50, XMTCH on SMI

[12] In 2005, Chicago Mercantile Exchange became the largest options and futures exchange in the world.

Euronext.Liffe. EU

Euronext N.V. is the first genuinely cross-border exchange organization in Europe. It provides services for regulated stock and derivatives markets in Belgium, France, the Netherlands and Portugal, as well as in the UK (derivatives only). It is Europe's leading stock exchange based on trading volumes on the central order book.

Euronext is integrating its markets across Europe to provide users with a single market that is very broad, highly liquid and extremely cost-effective. In 2004, it completed a fouryear project in which it migrated its markets to harmonized IT platforms for cash trading (NSC), derivatives (LIFFE CONNECT®) and clearing. Euronext's development and integration model generates synergies by incorporating the individual strengths and assets of each local market, proving that the most successful way to merge European exchanges is to apply global vision at a local level.

Euronext provides financial market participants with a comprehensive range of integrated services to meet their needs. These services range from facilitating public offerings and providing trading facilities for cash and derivatives products to supplying market data. Euronext's users also benefit from clearing services provided by LCH.Clearnet, and settlement and custody through local CSDs (central securities depositories), Group subsidiaries in Belgium and Portugal, and its partnership with Euroclear. The sale of software and IT solutions complete Euronext's range of services.

Euronext's customers include:

- members and financial institutions that have direct access to trading on its markets;
- companies whose securities are listed on its markets, enabling them to raise capital;
- institutional and retail investors who trade on Euronext's markets;
- other organizations that use Euronext's technologies and services;
- users of financial information.

Products traded on the exchange:

EURONEXT Indexes:	AEX-Index, Light AEX Index, BEL 20 Index, CAC 40 Index, FTSE 100 Index, FTSE 250 Index, FTSE Eurotop 100 Index, FTSEurofirst 80, FTSEurofirst 100, FTSEurofirst 300, MSCI Euro Index, MSCI Pan-Euro Index, PSI 20
EURONEXT Interest Rates:	Long Gilt, Japanese Government Bond, EONIA, EURIBOR, Eurodollar, Short Sterling, Euroswiss, Euroyen, Two-Year EUR Swapnote, Five-Year EUR Swapnote, Ten-Year EUR Swapnote, Two-Year USD Swapnote, Five-Year USD Swapnote, Ten-Year USD Swapnote
EURONEXT Commodities:	Cocoa, Robusta Coffee, Corn, Potato, Rapeseed, White Sugar, Feed Wheat, Milling Wheat
EURONEXT Currencies:	US Dollar/Euro, Euro/US Dollar

Bolsa de Mercadorias & Futuros, Brazil

After only two years in operation, the Brazilian Commodities Exchange already stands out as the nation's leading agribusiness exchange, having fully achieved the goal set forth by its creators of establishing an exchange that would become the link between agriculture, commerce, industry, finance, government, and both the resident and nonresident investors. Its performance has been remarkable especially in transactions involving physical commodities, Rural Product Notes (CPR) in the primary and secondary markets, auctions of government inventories and public tenders.

Products traded on the exchange:

BM&F Metals:	Gold
BM&F Indexes:	Ibovespa, Forward Points on Ibovespa, Mini Ibovespa, Brazil Index-50, General Market Price Index, Mini General Market Price Index, Extended Consumer Price Index
BM&F Interest Rates:	One-day Interbank Deposit, ID x USD Spread, ID x USD Swap Spread, ID x IGP-M Spread, ID x IPCA Spread, Long-Term Interbank Deposits
BM&F Exchange Rates: Euro	U.S. Dollar, Forward points on U.S. Dollar, Mini-U.S. Dollar,
BM&F Brazilian Sovereign Debt:	Global 2009, Global 2010, Global 2011, Global 2012, Global 2013, Global 2014, Global 2015, Global 2019, Global 2020, Global 2024, Global 2025, Global 2027, Global 2030, Global 2034, Global 2040, A-Bond
BM&F Agriculturals:	Anhydrous Fuel Alcohol, Arabica Coffee, Robusta-Conillon Coffee, Real-Denominated Corn, Cotton, Feeder Cattle, Live Cattle, Mini Live Cattle, Soybean, Crystal Sugar

National Stock Exchange of India

The National Stock Exchange (NSE) is India's leading stock exchange covering various cities and towns across the country. NSE was set up by leading institutions to provide a modern, fully automated screen-based trading system with national reach. The Exchange has brought about unparalleled transparency, speed & efficiency, safety and market integrity. It has set up facilities that serve as a model for the securities industry in terms of systems, practices and procedures.

NSE has played a catalytic role in reforming the Indian securities market in terms of microstructure, market practices and trading volumes. The market today uses state-of-art information technology to provide an efficient and transparent trading, clearing and settlement mechanism, and has witnessed several innovations in products & services viz. demutualisation of stock exchange governance, screen based trading, compression of settlement cycles, dematerialisation and electronic transfer of securities, securities lending and borrowing, professionalisation of trading members, fine-tuned risk management systems, emergence of clearing corporations to assume counterparty risks, market of debt and derivative instruments and intensive use of information technology.

Products traded on the exchange:

NSE Interest Rates:	Notional 91 Day T-Bill, Notional 10 Year coupon bearing Bond, Notional 10 Year zero coupon Bond
NSE Indexes:	S&P CNX Nifty, CNXIT, BANK Nifty

Appendix 6. Detailed specifications of analyzed futures contracts[13]

Agricultural futures

Corn

Approximately three-fifths of the corn sold by farmers in the United States is used as livestock feed. About half of that amount is fed directly to hogs, cattle, and poultry, and the rest is used in mixed feeds. Another one-fifth of U.S. corn is exported; the remaining one-fifth is sold as food and taken by commercial users for the production of alcohol and distilled spirits, syrups, sugar, cornstarch, and dry-process foods. Corn oil, extracted from the germ of the corn kernel, is used as a cooking and salad oil and, in solidified form, as margarine; it is also used in the manufacture of paints, soaps, and linoleum. The search for alternate sources of energy has brought attention to corn as a fuel source. High in sugar content, corn is processed to produce alcohol for use with gasoline as gasohol, and the dry stalk is a potentially important fuel biomass. World output of corn at the beginning of the 21st century was about 603 million metric tons annually; in volume of production, corn ranked first, ahead of rice and wheat. The United States is the leading corn-growing country, with about 40 percent of the world's production. Most of its crop is grown in the midwestern region known as the Corn Belt, comprising Ohio, Indiana, Illinois, Iowa, Missouri, Kansas, and Nebraska. The other leading corn-growing nations are China, Brazil, Mexico, France, and Argentina.

Contract Size	5,000 bushels
Exchange	Chicago Board of Trade (CBOT)
Trading volume in 2005	27,965,057 contracts
Deliverable Grades	No. 2 Yellow at par, No. 1 yellow at 1 1/2 cents per bushel over contract price, No. 3 yellow at 1 1/2 cents per bushel under contract price
Tick Size	1/4 cent/bushel ($12.50/contract)
Price Quote	Cents/bushel
Contract Months	Dec, Mar, May, Jul, Sep
Last Trading Day	The business day prior to the 15th calendar day of the contract month.
Last Delivery Day	Second business day following the last trading day of the delivery month.
Trading Hours	Open Auction: 9:30 a.m. - 1:15 p.m. Central Time, Mon-Fri., Electronic: 6:30 p.m. - 6:00 a.m. Central Time, Sun.-Fri., Trading in expiring contracts closes at noon on the last trading day.
Ticker Symbols	Open Auction: C, Electronic: ZC
Daily Price Limit	Twenty cent ($0.20) per bushel ($1,000/contract) above or below the previous day's settlement price. No limit in the spot month (limits are lifted beginning on First Position Day).
Speculative Margins	$473 / $350 (initial/maintenance)
Hedging Margins	$350 / $350 (initial/maintenance)

Soybeans

The soybean, an ancient food crop in China, Japan, and Korea, was introduced into the United States in the early 1800s and was grown as a minor forage crop for many years. The development of a soybean-processing industry in the early 1920s gave soybean cultivation a great impetus, and today the soybean is a leading crop in the United States, ranking only behind corn and wheat. The United States produces about 60 percent of the world's soybeans, compared to 14 percent produced by Brazil, 10 percent by China, and lesser percentages by Argentina, Taiwan, Canada, and India. Production in the United States is located chiefly in the Midwest and the lower Mississippi Valley; more than 30 percent of the United States production is exported.

Contract Size	5,000 bushels
Exchange	Chicago Board of Trade (CBOT)
Trading volume in 2005	20,216,137 contracts
Deliverable Grades	No. 2 Yellow at par, No. 1 yellow at 6 cents per bushel over contract price and No. 3 yellow at 6 cents per bushel under contract price
Tick Size	1/4 cent/bu ($12.50/contract)
Price Quote	Cents bushel
Contract Months	Sep, Nov, Jan, Mar, May, Jul, Aug

[13] Contract specifications are collected from the Exchanges; source of volume data is the Futures Industry Association, short description of products are quoted from sources listed at the end of Appendices; price and margin information are dated April 20, 2006

Last Trading Day	The business day prior to the 15th calendar day of the contract month.
Last Delivery Day	Second business day following the last trading day of the delivery month.
Trading Hours	Open Auction: 9:30 a.m. - 1:15 p.m. Central Time, Mon-Fri., Electronic: 6:31 p.m. - 6:00 a.m. Central Time, Sun.-Fri., Trading in expiring contracts closes at noon on the last trading day.
Ticker Symbols	Open Auction: S, Electronic: ZS
Daily Price Limit	50 cents/bu ($2,500/contract) above or below the previous day's settlement price. No limit in the spot month (limits are lifted beginning on First Position Day).
Speculative Margins	$1,148 / $850 (initial/maintenance)
Hedging Margins	$850 / $850 (initial/maintenance)

Sugar

More than 100 countries produce sugar, 74% of which is made from sugar cane grown primarily in the tropical and sub-tropical zones of the southern hemisphere, and the balance from sugar beet which is grown mainly in the temperate zones of the northern hemisphere. Prior to 1990, about 40% of sugar was made from beet but this has decreased to current levels as cane sugar producers have made considerable gains in expanding their sugar markets due to the lower costs of cane sugar production. Currently, 70% of the world's sugar is consumed in the country of origin whilst the balance is traded on world markets. Because of the residual nature of the world market, the free market price is one of the most volatile of all commodity prices. The five largest exporters in 2004/05, Brazil, the EU, Australia, Thailand and Guatemala, are expected to supply approximately 79% of all world free market exports. South Africa is the ninth largest exporter.

Contract Size	112,000 pounds (50 long tons)
Exchange	New York Board of Trade (NYBOT)
Trading volume in 2005	13,007,072 contracts
Deliverable Grades	Raw centrifugal cane sugar based on 97 degrees average polarization.
Tick Size	1/100 cent/lb., equivalent to $11.20 per contract
Price Quote	Cents per pound
Contract Months	March, May, July, October
Last Trading Day	Last business day of the month preceding deliverly month.
Last Delivery Day	1st business day after the last trading day.
Trading Hours	9:00 am to 12:00 pm; closing period commences at 11:58 am
Ticker Symbols	SB
Daily Price Limit	None
Speculative Margins	$1,400 / $1,000 (initial/maintenance)
Hedging Margins	$1,000 / $1,000 (initial/maintenance)

Wheat

The main use of wheat is in the manufacture of flour for bread and pastries. In general, hard varieties are used for bread flour and soft varieties for pastry flour. Wheat is used also in the production of breakfast foods and to a limited extent in the making of beer, whiskey, and industrial alcohol. Low grades of wheat, and by-products of the flour-milling, brewing, and distilling industries, are used as feed for livestock. A minor amount of wheat is used as a coffee substitute, especially in Europe, and wheat starch is employed as a sizing for textile fabrics. World output of wheat at the beginning of the 21st century was more than 570 million metric tons, an increase of about 30 percent over 1980. China continued as the world's leading producer, with 91 million metric tons, followed by India, Russia, and the United States. Other major wheat producers are France, Turkey, Germany, and Ukraine. The leading wheat-producing states in the United States are North Dakota, Kansas, Montana, and Oklahoma. In Canada, wheat farming is centered in Saskatchewan, Alberta, and Manitoba.

Contract Size	5,000 bushels
Exchange	Chicago Board of Trade (CBOT)
Trading volume in 2005	10,114,098 contracts
Deliverable Grades	No. 2 Soft Red Winter, No. 2 Hard Red Winter, No. 2 Dark Northern Spring, and No. 2 Northern Spring at par; No. 1 Soft Red Winter, No. 1 Hard Red Winter, No. 1 Dark Northern Spring and No. 1 Northern Spring at 3 cents per bushel over contract price.
Tick Size	1/4 cent/bushel ($12.50/contract)
Price Quote	Cents/bushel
Contract Months	Jul, Sep, Dec, Mar, May
Last Trading Day	The business day prior to the 15th calendar day of the contract month.

Last Delivery Day	Seventh business day following the last trading day of the delivery month.
Trading Hours	Open Auction: 9:30 a.m. - 1:15 p.m. Central Time, Mon-Fri., Electronic: 6:32 p.m. - 6:00 a.m. Central Time, Sun.-Fri., Trading in expiring contracts closes at noon on the last trading day.
Ticker Symbols	Open Auction: W, Electronic: ZW
Daily Price Limit	Thirty cents ($0.30) per bushel ($1,500/contract) above or below the previous day's settlement price. No limit in the spot month (limits are lifted beginning on First Position Day).
Speculative Margins	$608 / $450 (initial/maintenance)
Hedging Margins	$450 / $450 (initial/maintenance)

Soybean Meal

Soybean meal is the dominant protein supplement used in U.S. livestock and poultry feeds. Technical uses include adhesives, cleansing materials, polyesters, and other textiles. But soybeans have many other uses, too. Most importantly, of course, they serve as a central ingredient in baby food, diet-food products, beer, ale, noodles, cooking oil, margarine, mayonnaise, salad dressing, shortening, etc. Lecithin is a natural emulsifier derived from soybeans. Several important, low-fat sources of protein, such as tofu, miso, and soymilk also use soybeans as a major ingredient.

Contract Size	100 tons (2,000 lbs/short ton)
Exchange	Chicago Board of Trade (CBOT)
Trading volume in 2005	8,324,616 contracts
Deliverable Grades	48% Protein Soybean Meal, meeting the requirements listed in the CBOT Rules and Regulations
Tick Size	10 cents/ton ($10/contract)
Price Quote	Dollars and cents/short ton
Contract Months	Oct, Dec, Jan, Mar, May, Jul, Aug, Sep
Last Trading Day	The business day prior to the 15th calendar day of the contract month.
Last Delivery Day	Second business day following the last trading day of the delivery month.
Trading Hours	Open Auction: 9:30 a.m. - 1:15 p.m. Central Time, Mon-Fri., Electronic: 6:31 p.m. - 6:00 a.m. Central Time, Sun.-Fri., Trading in expiring contracts closes at noon on the last trading day.
Ticker Symbols	Open Auction: SM, Electronic: ZM
Daily Price Limit	$20/short ton ($2,000/contract) above or below the previous day's settlement price. No limit in the spot month (limits are lifted beginning on First Position Day)
Speculative Margins	$1,013 / $750 (initial/maintenance)
Hedging Margins	$750 / $750 (initial/maintenance)

Soybean Oil

Soybean oil remains the most widely used edible oil in the United States, with consumption exceeding that of all other fats and oils combined. Bean oil is a major ingredient in cooking oil, margarine, mayonnaise, salad dressing, and shortening. Lecithin is a natural emulsifier derived from soybean oil, and without it, chocolate would separate from cocoa butter and spoil many a sweet moment. But soybeans -- derivatives like bean oil and meal -- have many other uses, too. They're a central ingredient in livestock and poultry feeds, and they're also an important ingredient in low-fat sources of protein, such as tofu, miso, and soymilk. Technical uses include adhesives, cleansing materials, polyesters, and other textiles.

Contract Size	60,000 lbs
Exchange	Chicago Board of Trade (CBOT)
Trading volume in 2005	7,676,130 contracts
Deliverable Grades	Crude soybean oil meeting exchange-approved grades and standards-see exchange Rules and Regulations for exact specifications.
Tick Size	1/100 cent ($0.0001)/lb ($6/contract)
Price Quote	Cents/lb
Contract Months	Oct, Dec, Jan, Mar, May, Jul, Aug, Sep
Last Trading Day	The business day prior to the 15th calendar day of the contract month.
Last Delivery Day	Last business day of the delivery month.
Trading Hours	Open Auction: 9:30 a.m. - 1:15 p.m. Central Time, Mon-Fri., Electronic: 6:31 p.m. - 6:00 a.m. Central Time, Sun.-Fri. Trading in expiring contracts closes at noon on the last trading day.
Ticker Symbols	Open Auction: BO, Electronic: ZL

Daily Price Limit	2 cents per pound ($1,200/contract) above or below the previous day's settlement price. No limit in the spot month (limits are lifted beginning on First Position Day).
Speculative Margins	$675 / $500 (initial/maintenance)
Hedging Margins	$500 / $500 (initial/maintenance)

Live Cattle

Livestock producers face a great deal of risk. One is uncertain weather, which affects feed costs, the availability of feed and forage, rates of gain, conception rates, survivability of young animals, and shipment. Another risk is the constant threat of disease -- livestock producers know that staying on top of animal health requires the best management in agriculture. Producers have managed such production risk with top-notch husbandry practices. But no amount of husbandry can address market risk -- the uncertainty of prices at market time, owing to shifting supply and demand factors. That's where the futures market comes in.

The Chicago Mercantile Exchange broke the mold of traditional futures markets in 1964 by introducing a futures contract on a non-storable commodity -- live cattle. It was an innovative move since futures were only traded on storable commodities, like grain, at the time. But the livestock industry appeared ready for a central forward market with the advantages futures could bring. Since then, the live cattle future contract has undergone significant changes, and each of these changes has enhanced the usefulness of the contract in risk management programs. These tools have enabled cattle producers to manage their price risk more effectively. CME continues to work with the cattle industry to meet producers' changing needs by improving the live cattle futures contract.

Contract Size	40,000 pounds
Exchange	Chicago Mercantile Exchange (CME)
Trading volume in 2005	5,833,556 contracts
Tick Size	1 point = .01 cents per pound = $4.00
Contract Months	Feb, Apr, Jun, Aug, Oct, Dec, Seven months in the Even Monthly Cycle. Jan, Mar, May, Jul, Sep, Nov, Three months in the Odd Monthly Cycle.
Last Trading Day	Last business day of the month
Trading Hours	9:05 a.m. - 1:00 p.m. Chicago time, Mon-Fri., Trading in expiring contracts closes at 12:00 p.m. on the last trading day.
Ticker Symbol	LC, GLOBEX=LE
Daily Price Limit	$0.015/lb
Speculative Margins	$945 / $700 (initial/maintenance)
Hedging Margins	$700 / $700 (initial/maintenance)

Lean Hogs

Hogs are adapted to temperate and semitropical climates and are found in many different areas of the world. The leading countries in numbers of animals at the beginning of the 21st century were China, with nearly 457 million hogs; the United States, with more than 59 million; Brazil, with 30 million; and Germany with 26 million. Other leading countries, in descending order, included Spain, Vietnam, Poland, India, Mexico, Russia, France, and Canada. Worldwide, the hog population was estimated at more than 940 million.

In the United States, the swine industry is concentrated in the Midwest in the Corn Belt. The leading states are Iowa, with about 15 million hogs; North Carolina, with 10 million; Minnesota, with 6.1 million; and Indiana, Illinois, Missouri, and Nebraska, each with more than 3 million. Other major hog-producing states include Ohio, South Dakota, Kansas, Michigan, Wisconsin, and Pennsylvania.

Contract Size	40,000 pounds
Exchange	Chicago Mercantile Exchange (CME)
Trading volume in 2005	4,153,543 contracts
Tick Size	1 point = .01 cents per pound = $4.00
Price Quote	100 pounds
Contract Months	Feb Apr, May, Jun, Jul, Aug, Oct, and Dec
Last Trading Day	Last business day of the month
Trading Hours	9:05 a.m. - 1:00 p.m. Chicago time, Mon-Fri., Trading in expiring contracts closes at 12:00 p.m. on the last trading day.
Ticker Symbol	LH, GLOBEX=HE
Daily Price Limit	$0.02/lb, $800
Speculative Margins	$1,080 / $800 (initial/maintenance)
Hedging Margins	$800 / $800 (initial/maintenance)

Coffee

Coffee first appeared in Ethiopia around 2,000 years ago. Legend has it that an Ethiopian goatherd, who witnessed the energized behavior of his goats after they'd feasted on the berries of a coffee tree, tried the berries himself and discovered their unusual properties. Monks in a local monastery took this discovery and concocted a beverage, and the Ethiopian people apparently seasoned foods with ground coffee beans.

Whatever the actual origins, coffee has been one of the most important commodities over the course of history. By the 10 th century, traders had brought coffee beans to the Arabian peninsula, where Muslim monks grew the shrubs and made a beverage ("Qahwah" in Arabic) from the fermented coffee berries. In about 1300, southern Arabians began roasting and brewing coffee, and shortly thereafter, coffee came to play in important role in religious ceremonies, medical applications, and in general social life. The Arabians initially protected their coffee production and maintained early control over this lucrative commodity, but by the 15 th century, coffee had become widely used in Persia, Egypt, Syria, and Turkey. And by the 17 th century, coffee had increased its presence and popularity in Europe.

The Dutch opened the door to European participation in coffee production in 1616, cultivating their own coffee trees, and by 1658, they'd begun production in Ceylon, Java, and Sumatra. In 1723, a French naval officer transported a seedling from a plant given to the king by the Dutch to Martinique. Over the next 50 years, this plant evolved into 18 million coffee trees, and thus a single royal gift became the plant stock from which coffee trees in South and Central America and the Caribbean originated. By the end of the 18 th century, Brazil had become a major coffee producer, and coffee had taken its place among the most profitable export crops. Today, the enormous Brazilian coffee industry makes that country the world's largest coffee producer.

Coffee is one of the world's most heavily traded and volatile commodities. The NYBOT coffee futures market was born in 1882 as merchants and traders created the Coffee Exchange of New York to bring order to an industry threatened by cash market chaos. And since that time, the world has looked to the NYBOT coffee futures and options markets to price arabica coffee.

Contract Size	37,500 pounds
Exchange	New York Board of Trade (NYBOT)
Trading volume in 2005	3,987,778 contracts
Deliverable Grades	A Notice of Certification is issued based on testing the grade of the beans and by cup testing for flavor. The Exchange uses certain coffees to establish the "basis". Coffees judged better are at a premium; those judged inferior are at a discount.
Tick Size	5/100 cent/lb., equivalent to $18.75 per contract.
Price Quote	Cents per pound
Contract Months	March, May, July, September, December
Last Trading Day	One business day prior to last notice day.
Trading Hours	9:15 am to 12:30 pm; closing period commences at 12:28 pm
Ticker Symbols	KC
Daily Price Limit	None
Speculative Margins	$2,520 / $1,800 (initial/maintenance)
Hedging Margins	$1,800 / $1,800 (initial/maintenance)

Cotton

Cotton has been in the global marketplace for at least 3,500 years. Archeological research has uncovered cotton fibers on different sides of the globe in India and Peru. The Persians, the Romans, and the British were among the great empires that valued, traded, and spread this universal commodity. The Industrial Revolution further magnified cotton's economic status. The spinning jenny, spinning machine, and steam engine transformed cotton, and cotton, in turn, changed world trade. When the machine age reached the farm with the invention of a machine to separate cotton fiber from the seed -- the cotton gin -- the economic power of cotton underwent another period of enormous expansion. And in the midst of the mechanization and movement of production, the boll weevil served as a reminder of the vulnerability of any crop commodity to natural disaster.

The cotton industry has experienced enormous farming, manufacturing, and marketing changes in its 3,500- year history. While many crop commodities (such as coffee) are more land and climate specific, cotton can grow nearly anywhere that has the requisite 200 frost-free days and the basic water supply. The cash market is ever shifting as conditions favor different growths in different countries and technology continues to improve the manufacture, marketing, and even genetic structure of cotton. Government involvement in pricing and production as well as international and regional trade agreements also contribute to market changes

Because cotton futures prices are prone to sudden and dramatic moves, cotton futures are a favorite among individual traders, as well as an important risk-management tool for farmers and companies involved in the production and processing of cotton.

Contract Size	50,000 pounds net weight
Exchange	New York Board of Trade (NYBOT)
Trading volume in 2005	3,848,990 contracts
Deliverable Grades	Strict Low Middling, 1 2/32nd inch
Tick Size	1/100 of a cent (one "point") per pound below 95 cents per pound. 5/100 of a cent (or five "points") per pound at prices of 95 cents per pound or higher.

Price Quote	Cents and hundredths of a cent per pound
Contract Months	March, May, July, October, December (Current month plus one or more of the next 23 succeeding months)
Last Trading Day	Seventeen business days from end of spot month
Trading Hours	10:30 am to 2:15 pm; closing period commences at 2:14 pm
Ticker Symbols	CT
Daily Price Limit	None
Speculative Margins	$1,400 / $1,000 (initial/maintenance)
Hedging Margins	$1,000 / $1,000 (initial/maintenance)

Cocoa

Cocoa, like a number of "exotic" beverages and spices, was originally served as a luxury drink to the Aztec court and later to Spanish royalty. Gradually, the consumption of cocoa as a beverage spread throughout several major European cities, as it became more popular and less expensive.

The great transformation of cocoa from a beverage to a solid form began in 1828 when liquid cocoa butter (called liquor) could be pressed out of ground cocoa beans and then used as a base with sugar to make chocolate candy. The shift from beverage to solid candy added a whole new manufacturing component to the marketing chain and made easily transportable and consumable. The invention of milk chocolate 40 years later further increased the attraction for chocolate and the demand for cocoa beans. Once cocoa became available to general society, its significance in the world market place was ensured.

The cocoa tree is strictly a tropical plant, thriving only in hot, rainy climates with cultivation generally confined to areas not more than 20 degrees north or south of the equator. The fruit (bean) of the cocoa tree appears as pods. When ripe, these pods are cut down and opened, and the beans are then removed, fermented, and dried. Weather conditions, disease, and insects can have a major impact on annual cocoa yield, and thus, prices are subject to sudden moves -- which makes cocoa futures important to hedgers and speculators alike.

Contract Size	10 metric tons
Exchange	New York Board of Trade (NYBOT)
Trading volume in 2005	2,582,927 contracts
Deliverable Grades	Established by Exchange licensed graders in accordance with specified tolerances for defects, bean count, bean size and other standards.
Tick Size	$1.00/metric ton, equivalent to $10.00 per contract and approximately 5/100 cent/lb.
Price Quote	Dollars per metric ton
Contract Months	March, May, July, September, December
Last Trading Day	One business day prior to last notice day.
Trading Hours	8:00 a.m. - 11:50 a.m. closing period commences at 11:45 am (NY time)
Ticker Symbols	CC
Daily Price Limit	None
Speculative Margins	$840 / $600 (initial/maintenance)
Hedging Margins	$600 / $600 (initial/maintenance)

Feeder Cattle

CME® Feeder Cattle futures were added to CME livestock products in 1971. The CME Feeder Cattle contract covers calves that will enter the feedlots in the 650-849 pound range for finishing to market weight - the basis the CME Live Cattle contract. The contract has the distinction of being the first commodity contract to expire to a cash index price, allowing hedgers and traders to hold contract positions up through contract expiration. Some futures traders prefer this contract cash-settled feature over contracts that are deliverable.

Contract Size	50,000 pounds
Exchange	Chicago Mercantile Exchange (CME)
Trading volume in 2005	1,017,348 contracts
Tick Size	1 point = .01 cents per pound = $5.00
Price Quote	100 pounds
Contract Months	Jan, Mar, Apr, May, Aug, Sep, Oct and Nov. Eight months listed at a time.
Last Trading Day	Last business day of the month
Trading Hours	9:05 a.m. - 1:00 p.m. Chicago time, Mon-Fri., Trading in expiring contracts closes at 12:00 p.m. on the last trading day.

Ticker Symbol	FC, GLOBEX=GF
Daily Price Limit	$0.030/lb
Speculative Margins	$1,350 / $1,000 (initial/maintenance)
Hedging Margins	$1,000 / $1,000 (initial/maintenance)

Orange Juice

Frozen concentrated orange juice (FCOJ) is a relatively modern form of a basic agricultural commodity. For centuries, oranges were consumed as a fresh fruit, not storable for long periods of time or easily shipped long distances except in dried form. The citrus market changed radically when the process for making FCOJ was invented in Florida in 1947. Demonstrating a clear preference for FCOJ convenience and taste, consumers quickly substituted FCOJ for fresh oranges. More recently, the frozen concentrated orange juice market has experienced tremendous growth internationally due to technological innovations in packaging and bulk transportation systems.

Today, over 70% of the oranges harvested in the U.S. are processed for orange juice. While most of the FCOJ produced in the U.S. is consumed domestically, Brazil exports most of its production. In fact, Brazil dominates world trade in FCOJ, accounting for as much as 80% of the frozen orange juice concentrate export market. Because of the inverse relationship between the growing seasons for the U.S. and Brazil, their combined production makes the FCOJ market a year-round market.

Although a number of factors -- such as a processing capacity, disease, and the strength of the U.S. Dollar -- can affect the supply of FCOJ, it remains a true "weather" market. Frost and freezes may affect Florida production, while dry weather and droughts may affect Brazilian production. This sensitivity to weather factors combined with a competitive global juice/ beverage market makes the price of FCOJ extremely volatile.

Contract Size	15,000 pounds of orange juice solids (3% or less)
Exchange	New York Board of Trade (NYBOT)
Trading volume in 2005	902,019 contracts
Deliverable Grades	US Grade A with a Brix value of not less than 62.5 degrees
Tick Size	5/100 of a cent per pound ($7.50/contract)
Price Quote	Cents per pound
Contract Months	January, March, May, July, September, November with at least two January months listed at all times.
Last Trading Day	14th business day prior to the last business day of the month
Trading Hours	10:00 am to 1:30 pm; closing period commences at 1:29pm
Ticker Symbols	OJ
Daily Price Limit	Daily Limit: First and Second Listed Futures Months: a movable 10 cents above or below the previous day's settlement price. All Other Months: 5 cents above or below the previous day's settlement price; when 3 or more months close at the limit in the same direction for 3 successive days, the daily limit expands to 8 cents. When prices are locked at the limit at the end of a trading day in any month, imputed settlement values may be used for margin calculation purposes.
Speculative Margins	$980 / $700 (initial/maintenance)
Hedging Margins	$980 / $700 (initial/maintenance)

Oats

Production and acreage of Oats has declined steadily since 1945 when a record 1.5 billion bushels were produced utilizing 42 million acres. In 1998, only 167 million bushels are estimated to have been harvested, utilizing a paltry 4.9 million acres. Oat acreage has declined so readily, because Oat demand has fallen. The main demand for Oats comes as an animal feed, primarily horses. As the population of horses has declined, due to the introduction of the internal combustion engine, the demand and resources devoted to Oats has decreased as well. Over half of U.S. domestic Oat production is grown in South Dakota, North Dakota, Wisconsin, Minnesota, and Iowa. Oats are grown less extensively in the Corn-Belt, Great Lakes, and the Plains. Relatively few Oats are produced in the western and southern states. Almost half of the acreage planted for Oats is harvested for grain, with the remainder being utilized for hay.

Contract Size	5,000 bushels
Exchange	Chicago Board of Trade (CBOT)
Trading volume in 2005	351,539 contracts
Deliverable Grades	No. 2 Heavy and No. 1 at par. No. 1 Extra Heavy at 7 cents per bushel over contract price. No. 2 Extra Heavy at 4 cents per bushel over contract price, and No. 1 Heavy at 3 cents per bushel over contract price. No. 2(36 pound total minimum test weight) at 3 cents per bushel under contract price and No. 2 (34 pound total minimum test weight) at 6 cents per bushel under contract price.
Tick Size	1/4 cent/bushel ($12.50/contract)
Price Quote	Cents/bushel
Contract Months	Jul, Sep, Dec, Mar, May

Last Trading Day	The business day prior to the 15th calendar day of the contract month.
Last Delivery Day	Seventh business day following the last trading day of the delivery month.
Trading Hours	Open Auction: 9:30 a.m. - 1:15 p.m. Central Time, Mon-Fri., Electronic: 6:33 p.m. - 6:00 a.m. Central Time, Sun.-Fri., Trading in expiring contracts closes at noon on the last trading day.
Ticker Symbols	Open Auction: O, Electronic: ZO
Daily Price Limit	Twenty cents ($0.20) per bushel ($1,000/contract) above or below the previous day's settlement price. No limit in the spot month (limits are lifted beginning on First Position Day)
Speculative Margins	$540 / $400 (initial/maintenance)
Hedging Margins	$400 / $400 (initial/maintenance)

Lumber

In recent years, lumber prices have reacted to supply and demand imbalances with frequent and often extreme changes. Domestic lumber supplies have been constrained due to mill closings, the spotted owl controversy, and other environmental concerns. In Canada, lumber supplies have been limited as provinces move toward sustainable yields, where only enough trees can be harvested as can be replaced in 40 or 50 years. And on the demand side, due in part to economic conditions and interest rate policies, housing starts over the past decade have ranged from record highs to 36-year-lows.

Highly volatile lumber prices can mean opportunity for large profits. But in an industry like lumber, where costs are high and margins are tight, volatile prices also can mean risk of devastating losses. In 1969, the Chicago Mercantile Exchange became the first exchange to offer price protection to the forest products industry with the listing of random length lumber futures contracts.

The lumber futures contract traded at the CME calls for on-track mill delivery of random length 8-20 ft. nominal 2 x 4s. Primarily, the deliverable species is Western Spruce-Pine-Fir, although other Western species -- such as Hem-fir, Englemann Spruce, Alpine Fir, and Lodgepole Pine -- may also be delivered. Mills must be located in the states of Oregon, Washington, Idaho, Wyoming, Montana, Nevada or California, or the Canadian provinces of British Columbia or Alberta. The acceptable grades are Standard and Better, or #1 and #2 of the structural light framing category; or construction and standard of the light framing category. Grade #2 or standard grade may not exceed 50% of the lumber delivered. Wood must be kiln dried to a moisture level of 19 percent. The random-length tally must conform to size percentage limits. Lumber of each length, for the most part, must be banded together, poly or paper wrapped and loaded on one 73' flatcar.

Contract Size	110,000 bd. ft. of random lengths 2x4s (8' to 20')
Exchange	Chicago Mercantile Exchange (CME)
Trading volume in 2005	236,241 contracts
Tick Size	$.10 per 1,000 bd. ft. ($11.00/contract)
Price Quote	1000 board feet
Contract Months	Jan, Mar, May, July, Sept, Nov
Last Trading Day	Business day prior to 16th day of the month.
Trading Hours	9:00 a.m. - 1:05 p.m. Chicago time, Mon-Fri. Trading in expiring contracts closes at 12:05 p.m. on the last trading day.
Ticker Symbol	LB
Daily Price Limit	$10.00 per thousand board feet above or below the previous day's settlement price.
Speculative Margins	$1,650 / $1,100 (initial/maintenance)
Hedging Margins	$1,100 / $1,100 (initial/maintenance)

Pork Bellies

CME® Frozen Pork Belly futures began trading in 1961 – the first futures contract based on frozen, stored meats. Trading in CME Frozen Pork Bellies contracts was developed as a risk management device to meet the needs of meat packers and inventory owners who had to contend with volatile hog price swings. CME Frozen Pork Bellies futures contracts perform the same two primary functions common to many futures contracts – that of guiding inventories and establishing forward pricing.

Contract Size	40,000 pounds of frozen pork bellies, cut and trimmed
Exchange	Chicago Mercantile Exchange (CME)
Trading volume in 2005	124,418 contracts
Tick Size	1 point = $.0001 per pound = $4.00
Price Quote	100 pounds
Contract Months	February, March, May, July and August
Last Trading Day	The business day prior to the last three business days of the contract month.
Trading Hours	9:10 a.m. - 1:00 p.m. Chicago time, Mon-Fri., Trading in expiring contracts closes at 12:00 p.m. on the last trading day.

Ticker Symbol	PB, GLOBEX=GPB
Daily Price Limit	$.020 or $.030 or $.045 per pound
Speculative Margins	$1,620 / $1,200 (initial/maintenance)
Hedging Margins	$1,620 / $1,200 (initial/maintenance)

Currency futures

Japanese Yen

Japanese yen futures and options on futures allow financial institutions, investment managers, corporations and private investors to manage the risks associated with currency rate fluctuation and to take advantage of profit opportunities stemming from changes in currency rates. They are designed to reflect changes in the U.S. dollar value of the yen. Futures contracts are quoted in U.S. dollars per yen, and call for physical delivery at expiration, which takes place on the third Wednesday of the contract month in the country of issuance at a bank designated by the Clearing House.

Contract Size	12,500,000 Japanese Yen
Exchange	Chicago Mercantile Exchange (CME)
Trading volume in 2005	12,471,672 contracts
Tick Size	1 point = $.000001 per Japanese yen = $12.50 per contract
Price Quote	USD price of 1 JPY
Contract Months	Mar, Jun, Sep. Dec.
Last Trading Day	2nd business day before third Wednesday
Trading Hours	7:20 a.m. - 2:00 p.m. Chicago time, Mon-Fri., Trading in expiring contracts closes at 9:16 a.m. on the last trading day., Globex from 4:30 p.m. - 4:00 a.m. Chicago time, Mon-Thu., Sundays & Holidays 5:30 p.m. - 4:00 p.m.
Ticker Symbol	JY, GLOBEX=6J
Daily Price Limit	None
Speculative Margins	$2,700 / $2,000 (initial/maintenance)
Hedging Margins	$2,000 / $2,000 (initial/maintenance)

British Pound

The British pound is the currency of the United Kingdom as well as a major currency traded worldwide by corporations, institutions, banks, commodity funds and futures traders. Financial institutions, investment managers, corporations and private investors can use CME® British pound futures and options on futures to manage the risks associated with currency rate fluctuation and to take advantage of profit opportunities stemming from changes in currency rates.

Contract Size	62,500 British Pounds
Exchange	Chicago Mercantile Exchange (CME)
Trading volume in 2005	8,769,751 contracts
Tick Size	1 point = $.0001 per pound sterling = $6.25 per contract
Price Quote	USD price of 1 GBP
Contract Months	Mar, Jun, Sep, Dec
Last Trading Day	2nd business day before third Wednesday
Trading Hours	7:20 a.m. - 2:00 p.m. Chicago time, Mon-Fri., Trading in expiring contracts closes at 9:16 a.m. on the last trading day., Globex from 4:30 p.m. - 4:00 a.m. Chicago time, Mon-Thu., Sundays & Holidays 5:30 p.m. - 4:00 p.m.
Ticker Symbol	BP, GLOBEX=6B
Daily Price Limit	None
Speculative Margins	$1,755 / $1,300 (initial/maintenance)
Hedging Margins	$1,300 / $1,300 (initial/maintenance)

Canadian Dollar

Canadian dollar futures and options on futures contracts offer financial institutions, investment managers, corporations and private investors with a means to manage risks associated with currency rate fluctuation and to take advantage of profit opportunities stemming from changes in currency rates. They are designed to reflect changes in the U.S. dollar value of the Canadian dollar. Futures contracts are quoted in U.S. dollars per Canadian dollar, and call for physical delivery at expiration, which takes place on the third Wednesday of the contract month in the country of issuance at a bank designated by the Clearing House.

Contract Size	100,000 Canadian Dollars
Exchange	Chicago Mercantile Exchange (CME)
Trading volume in 2005	7,930,156 contracts
Tick Size	$.0001 per Canadian dollar=$10.00/contract
Price Quote	USD price of 1 CAD
Contract Months	Mar, Jun, Sep, Dec.
Last Trading Day	2nd business day before third Wednesday
Trading Hours	7:20 a.m. - 2:00 p.m. Chicago time, Mon-Fri., Trading in expiring contracts closes at 9:16 a.m. on the last trading day., Globex from 4:30 p.m. - 4:00 a.m. Chicago time, Mon-Thu., Sundays & Holidays 5:30 p.m. - 4:00 p.m.
Ticker Symbol	CD, GLOBEX=6C
Daily Price Limit	None
Speculative Margins	$1,080 / $800 (initial/maintenance)
Hedging Margins	$800 / $800 (initial/maintenance)

Swiss Franc

Swiss francs are an attractive instrument that can add to portfolio diversification for both lenders and borrowers. When the new European currency the "euro" was introduced, the Swiss franc appreciated significantly against the euro in April to September 2000, and remains one of the world's strongest currencies, worth today around two-thirds of a euro. The return on Swiss franc and capital market instruments exhibit both a low volatility and a low correlation with the return on foreign assets. Financial institutions, investment managers, corporations and private investors can use CME® Swiss franc futures and options on futures to manage the risks associated with currency rate fluctuation and to take advantage of profit opportunities stemming from changes in currency rates.

Contract Size	125,000 Swiss Francs
Exchange	Chicago Mercantile Exchange (CME)
Trading volume in 2005	7,784,498 contracts
Tick Size	1 point = $.0001 per Swiss franc = $12.50 per contract
Price Quote	USD price of 1 CHF
Contract Months	Mar, Jun, Sep, Dec.
Last Trading Day	2nd business day before third Wednesday
Trading Hours	7:20 a.m. - 2:00 p.m. Chicago time, Mon-Fri., Trading in expiring contracts closes at 9:16 a.m. on the last trading day., Globex from 4:30 p.m. - 4:00 a.m. Chicago time, Mon-Thu., Sundays & Holidays 5:30 p.m. - 4:00 p.m.
Ticker Symbol	SF, GLOBEX=6S
Daily Price Limit	None
Speculative Margins	$2,160 / $1,600 (initial/maintenance)
Hedging Margins	$1,600 / $1,600 (initial/maintenance)

Energy futures

Crude Oil

The New York Mercantile Exchange's light, sweet crude oil futures contract is the world's most actively traded futures contract on a physical commodity. Because of its excellent liquidity and price transparency, the contract is used as a principal international pricing benchmark. The NYMEX also offers trading in heating oil futures and gasoline futures.

Crude oil futures and options provide individual investors with an easy and convenient way to participate in the world's most important commodity market. In addition, a broad cross-section of companies in the energy industry -- from those involved in exploration and production to refiners -- can use crude oil futures and options contracts to hedge their price risk. Light, sweet crude is preferred by refiners because of its low sulfur content and relatively high yields of gasoline, diesel fuel, heating oil, and jet fuel. Even companies that are substantial consumers of energy products can use crude oil futures to protect against adverse price fluctuations.

Contract Size	1,000 U.S. barrels (42,000 gallons)
Exchange	New York Mercantile Exchange (NYMEX)
Trading volume in 2005	59,650,468 contracts
Deliverable Grades	Specific domestic crudes with 0.42% sulfur by weight or less, not less than 37° API gravity nor more than 42° API gravity. The following domestic crude streams are deliverable: West Texas Intermediate, Low Sweet Mix, New Mexican Sweet, North Texas Sweet, Oklahoma Sweet, South Texas Sweet. Specific foreign crudes of not less than 34° API nor more than 42° API. The following foreign streams are deliverable: U.K. Brent and Forties, for which the seller shall receive a 30 cent per barrel discount below the final settlement price; Norwegian Oseberg Blend is delivered at a 55¢–per–barrel discount; Nigerian Bonny Light, Qua Iboe, and Colombian Cusiana are delivered at 15¢ premiums.
Tick Size	$0.01 (1¢) per barrel ($10.00 per contract)
Price Quote	U.S. dollars and cents per barrel
Contract Months	The current year and the next five years. A new calendar year will be added following the termination of trading in the December contract of the current year. Additionally, trading can be executed at an average differential to the previous day's settlement prices for periods of two to 30 consecutive months in a single transaction. These calendar strips are executed during open outcry trading hours.
Last Trading Day	Trading terminates at the close of business on the third business day prior to the 25th calendar day of the month preceding the delivery month. If the 25th calendar day of the month is a non-business day, trading shall cease on the third business day prior to the business day preceding the 25th calendar day.
Trading Hours	Open outcry trading is conducted from 10:00 AM until 2:30 PM. After hours futures trading is conducted via the NYMEX ACCESS® internet-based trading platform beginning at 3:15 PM on Mondays through Thursdays and concluding at 9:50 AM the following day. On Sundays, the session begins at 7:00 PM. There is an additional session, from 3:15 PM to 5:00 PM, on Fridays and the day preceding all major holidays. This session's trade date will be dated for the following business day.
Ticker Symbol	CL
Daily Price Limit	$10.00 per barrel ($10,000 per contract) for all months. If any contract is traded, bid, or offered at the limit for five minutes, trading is halted for five minutes. When trading resumes, the limit is expanded by $10.00 per barrel in either direction. If another halt were triggered, the market would continue to be expanded by $10.00 per barrel in either direction after each successive five-minute trading halt. There will be no maximum price fluctuation limits during any one trading session.
Speculative Margins	$4,725 / $3,500 (initial/maintenance)
Hedging Margins	$3,850 / $3,500 (initial/maintenance)

Unleaded Gasoline

Gasoline is the largest single volume refined product sold in the United States and accounts for almost half of national oil consumption. It is a highly diverse market, with hundreds of wholesale distributors and thousands of retail outlets, often making it subject to intense competition and price volatility.

The New York Mercantile Exchange gasoline futures contract trades in units of 42,000 gallons (1,000 barrels). It is based on delivery at petroleum products terminals in the harbor, the major East Coast trading center for imports and domestic shipments from refineries in the New York harbor area or from the Gulf Coast refining centers.

The futures contract specifications conform to those for reformulated gasoline, required in many areas for controlling emissions that can adversely affect air quality. To ensure that the terms and conditions of the gasoline futures contract continue to mirror the cash market, NYMEX maintains close contact with federal and state officials and continues to evaluate changes in the regulations.

Unleaded gas futures and options provide individual traders and investors with an easy and convenient way to participate in an essential energy market. Due to the volatility of unleaded gas futures, this market offers the potential for quick and substantial profits and is therefore attractive to speculators. At the same time, however, this is a treacherous market in which speculators can suffer losses. In addition, a broad cross-section of companies -- from those involved in exploration and production of unleaded gas to substantial consumers of energy -- can use unleaded gas futures and options contracts to hedge their price risk.

Contract Size	42,000 U.S. gallons (1,000 barrels)
Exchange	New York Mercantile Exchange (NYMEX)
Trading volume in 2005	13,166,417 contracts
Deliverable Grades	Generally conforms to industry standards for Phase II Complex Model Reformulated Gasoline in accordance with Colonial Pipeline Co. specifications for fungible A grade, 87 octane index gasoline
Tick Size	$0.0001 (0.01¢) per gallon ($4.20 per contract)
Price Quote	U.S. dollars and cents per gallon

Contract Months	12 consecutive months
Last Trading Day	Trading terminates at the close of business on the last business day of the month preceding the delivery month
Trading Hours	Open outcry trading is conducted from 10:05 AM until 2:30 PM. After hours futures trading is conducted via the NYMEX ACCESS® internet-based trading platform beginning at 3:15 PM on Mondays through Thursdays and concluding at 9:50 AM the following day. On Sundays, the session begins at 7:00 PM. There is an additional session, from 3:15 PM to 5:00 PM, on Fridays and the day preceding all major holidays. This session's trade date will be dated for the following business day.
Ticker Symbol	HU
Daily Price Limit	$0.25 per gallon ($10,500 per contract) for all months. If any contract is traded, bid, or offered at the limit for five minutes, trading is halted for five minutes. When trading resumes, the limit is expanded by $0.25 per gallon in either direction. If another halt were triggered, the market would continue to be expanded by $0.25 per gallon in either direction after each successive five-minute trading halt. There will be no maximum price fluctuation limits during any one trading session.
Speculative Margins	$8,100 / $6,000 (initial/maintenance)
Hedging Margins	$6,600 / $6,000 (initial/maintenance)

Heating Oil

Heating oil, also known as No. 2 fuel oil, accounts for about 25% of the yield of a barrel of crude, the second largest "cut" after gasoline. The heating oil futures contract at the New York Mercantile Exchange trades in units of 42,000 gallons (1,000 barrels) and is based on delivery in New York harbor, the principal cash market trading center.

Heating oil futures and options provide individual investors with an easy and convenient way to participate in an essential energy market. In addition, a broad cross-section of companies in the energy industry -- from those involved in exploration and production to refiners -- can use heating oil futures and options contracts to hedge their price risk. Even companies that are substantial consumers of energy products can use heating oil futures to protect against adverse price fluctuations. Options on futures, calendar spread options contracts, crack spread options contracts, and average price options contracts give hedgers tremendous flexibility in managing price risk.

Contract Size	42,000 U.S. gallons (1,000 barrels)
Exchange	New York Mercantile Exchange (NYMEX)
Trading volume in 2005	13,135,581 contracts
Deliverable Grades	Generally conforms to industry standards for fungible No. 2 heating oil.
Tick Size	$0.0001 (0.01¢) per gallon ($4.20 per contract).
Price Quote	U.S. dollars and cents per gallon
Contract Months	18 consecutive months
Last Trading Day	Trading terminates at the close of business on the last business day of the month preceding the delivery month
Trading Hours	Open outcry trading is conducted from 10:05 AM until 2:30 PM. After hours futures trading is conducted via the NYMEX ACCESS® internet-based trading platform beginning at 3:15 PM on Mondays through Thursdays and concluding at 9:50 AM the following day. On Sundays, the session begins at 7:00 PM. There is an additional session, from 3:15 PM to 5:00 PM, on Fridays and the day preceding all major holidays. This session's trade date will be dated for the following business day.
Ticker Symbol	HO
Daily Price Limit	$0.25 per gallon ($10,500 per contract) for all months. If any contract is traded, bid, or offered at the limit for five minutes, trading is halted for five minutes. When trading resumes, the limit is expanded by $0.25 per gallon in either direction. If another halt were triggered, the market would continue to be expanded by $0.25 per gallon in either direction after each successive five-minute trading halt. There will be no maximum price fluctuation limits during any one trading session.
Speculative Margins	$6,750 / $5,000 (initial/maintenance)
Hedging Margins	$5,500 / $5,000 (initial/maintenance)

Financial futures (Equity index and Interest rate products)

S&P 500 Index

The S&P 500 index is a widely recognized barometer of the U.S. stock market and is the benchmark used by most investment professionals. It is based on the stock prices of 500 different companies - generally about 80% industrials, 3% utilities, 1% transportation companies, and 15% financial institutions. The market value of the 500 firms is equal to approximately 80% of the

value of all stocks traded on the New York Stock Exchange. The four broad industry groupings are maintained in order to monitor the index's continued diversification. The number of companies in each grouping changes from time to time, to allow S&P more flexibility in choosing new companies for the index when openings occur.

The S&P 500 is a capitalization-weighted index reflecting the market value of the 500 listed firms. Each component stock's price is multiplied by the number of common shares outstanding for that company, and the resulting market values are totaled. The total market value of the 500 companies is then divided by a number called the Index Divisor. The total market value of all the 500 firms is compared to that for the base period (1941-1943 = 10) to derive the Index value. Because the Index is weighted in this manner, a price change in any one stock will influence the index in proportion to the stock's relative market value.

The center of trading in stock index futures is the Chicago Mercantile Exchange (CME). In 1982, the CME introduced trading in S&P 500 stock index futures, and this contract now accounts for more than 90% of all U.S. stock index futures trading.

Contract Size	$250 times the Standard & Poor's 500 Stock Price Index
Exchange	Chicago Mercantile Exchange (CME)
Trading volume in 2005	15,377,489 contracts
Tick Size	10 points = .10 index points = $25.00
Price Quote	U.S. dollars per index value
Contract Months	Mar, Jun, Sep, Dec.
Last Trading Day	The Thursday prior to the 3rd Friday of the contract month
Trading Hours	8:30 A.M. - 3:15 P.M. Globex: 3:45 P.M. - 3:15 P.M. Mon - Thrs; 5:30 P.M. - 3:15 P.M. Sun + Hol., Trading closes at 3:15 p.m. on last day of trading
Ticker Symbol	SP
Daily Price Limit	Price Limits corresponding to a 5.0%, 10.0%, 15.0% and 20.0% decline below the Settlement Price of the preceding RTH session.
Speculative Margins	$19,688 / $15,750 (initial/maintenance)
Hedging Margins	$15,750 / $15,750 (initial/maintenance)

Eurodollars

Eurodollars are U.S. dollars on deposit in commercial banks located outside of the United States. Eurodollar deposits play a major role in the international capital market, and they have long served as a benchmark interest rate for corporate funding.

CME® Eurodollar futures contracts reflect the London Interbank Offered Rate (LIBOR) for a three-month, $1 million offshore deposit. Eurodollar deposits are direct obligations of the commercial banks accepting the deposits and are not guaranteed by any government. Although they represent low-risk investments, Eurodollar deposits are not risk-free

CME developed and launched Eurodollar futures in 1981, and since then CME Eurodollar futures have evolved into one of the world's most innovative and popular contracts—and are now the most actively traded futures contract in the world with open interest recently surpassing the four million mark.

In 2003, approximately 310 million Eurodollar futures and options on futures traded at CME, which was the contract's busiest year since it began trading. Eurodollar volume on the CME Globex electronic platform also continues to build, demonstrating solid performance and reliability in electronic trading.

CME Eurodollar futures are cash-settled, therefore, there is no delivery of a cash instrument upon expiration because cash Eurodollar time deposits are not transferable.

CME Eurodollar futures contract size has a principal value of $1,000,000 with a three-month maturity. CME Eurodollar futures move in 1 point increments, or .01, equaling $25. The CME Eurodollar tick reflects the dollar value of a 1/100 of one percent change in a $1 million, 90-day deposit, determined by the following equation:

$1,000,000 notional value x .0001 x 90/360 = $25.

Trading can also occur in minimum ticks of .0025, or ¼ ticks, representing $6.25 per contract and in .005, or ½ ticks, representing $12.50 per contract. CME Eurodollar contracts trade Mar, Jun, Sep, Dec; Forty months in the March quarterly cycle, and the four nearest serial contract months

Since the CME Eurodollar contract's inception, it has become one of the most versatile trading vehicles offered on the listed markets, offering numerous opportunities for hedgers and arbitrageurs. The contract's exceptional growth and its adaptability and versatility continues to evolve due to nonstop enhancements.

Contract Size	Eurodollar Time Deposit having a principal value of $1,000,000 with a three-month maturity.
Exchange	Chicago Mercantile Exchange (CME)
Trading volume in 2005	410,355,384 contracts
Tick Size	0.01=$25.00
Price Quote	100 – LIBOR rate
Contract Months	Mar, Jun, Sep, Dec, Forty months in the March quarterly cycle, and the four nearest serial contract months.

Last Trading Day	Futures trading shall terminate at 11:00 a.m. (London Time) 5:00a.m. (Chicago Time on the second London bank business day before the third Wednesday of the contract month.
Trading Hours	7:20 a.m. - 2:00 p.m. Chicago time, Mon-Fri., Trading in expiring contracts closes at 5:00 a.m. on the last trading day (Mon)., Globex from 4:30 p.m. - 4:00 a.m. Chicago time, Mon-Thu., Sundays & Holidays 5:30 p.m. - 4 p.m.
Ticker Symbol	ED
Daily Price Limit	None
Speculative Margins	$945 / $700 (initial/maintenance)
Hedging Margins	$700 / $700 (initial/maintenance)

10 Year Treasury Note

U.S. 10 Year Treasury Notes and Thirty-Year Treasury Bond futures have grown to become fundamental risk management tools for investors worldwide. In today's ever-changing global economy, holding fixed-income securities is tantamount to speculating on the future direction of interest rates. With the Treasury futures contracts at the Chicago Board of Trade, both institutional and individual investors can help control the risk in holding fixed-income securities and optimize their performance.

Interest rate futures were pioneered by the Chicago Board of Trade in 1975, in response to a growing need for tools that could protect against sharp and frequent swings in the cost of money. Over the past three decades, contract volume has grown to unprecedented levels, reflecting the growth of the underlying instruments and profound changes in the marketplace.

The prices of Treasury futures contracts are determined by open-outcry in the designated trading pits. These prices are global interest rate barometers, reflecting moves in national and international rates, and are available to the public immediately.

Contract Size	One U.S. Treasury note having a face value at maturity of $100,000 or multiple thereof.
Exchange	Chicago Board of Trade (CBOT)
Trading volume in 2005	215,124,076 contracts
Deliverable Grades	U.S. Treasury notes maturing at least 6 1/2 years, but not more than 10 years, from the first day of the delivery month. The invoice price equals the futures settlement price times a conversion factor plus accrued interest. The conversion factor is the price of the delivered note ($1 par value) to yield 6 percent.
Tick Size	Minimum price fluctuations shall be in multiples of one-half of one thirty-second (1/32) point per 100 points ($15.625 rounded up to the nearest cent per contract) except for intermonth spreads, where minimum price fluctuations shall be in multiples of one-fourth of one thirty-second point per 100 points ($7.8125 per contract). Par shall be on the basis of 100 points. Contracts shall not be made on any other price basis.
Price Quote	Points ($1,000) and one half of 1/32 of a point; i.e., 84-16 equals 84 16/32, 84-165 equals 84 16.5/32
Contract Months	Mar, Jun, Sep, Dec
Last Trading Day	Seventh business day preceding the last business day of the delivery month. Trading in expiring contracts closes at noon, Chicago time, on the last trading day.
Last Delivery Day	Last business day of the delivery month.
Delivery Method	Federal Reserve book-entry wire-transfer system
Trading Hours	Open Auction: 7:20 am - 2:00 pm, Central Time, Monday – Friday, Electronic: 6:00 pm - 4:00 pm, Central Time, Sunday - Friday
Ticker Symbols	Open Auction: TY, Electronic: ZN
Daily Price Limit	None
Speculative Margins	$810 / $600 (initial/maintenance)
Hedging Margins	$600 / $600 (initial/maintenance)

30 Year Treasury Bond

Contract Size	One U.S. Treasury Bond having a face value at maturity of $100,000 or multiple thereof.
Exchange	Chicago Board of Trade (CBOT)
Trading volume in 2005	86,926,569 contracts
Deliverable Grades	U.S. Treasury bonds that, if callable, are not callable for at least 15 years from the first day of the delivery month or, if not callable, have a maturity of at least 15 years from the first day of the delivery month. The invoice price equals the futures settlement price times a conversion factor plus accrued interest. The conversion factor is the price of the delivered bond ($1 par value) to yield 6 percent.

Tick Size	Minimum price fluctuations shall be in multiples of one thirty-second (1/32) point per 100 points ($31.25 per contract) except for intermonth spreads, where minimum price fluctuations shall be in multiples of one-fourth of one-thirty-second point per 100 points ($7.8125 per contract). Par shall be on the basis of 100 points. Contracts shall not be made on any other price basis.
Price Quote	Points ($1,000) and thirty-seconds of a point; for example, 80-16 equals 80 16/32
Contract Months	Mar, Jun, Sep, Dec
Last Trading Day	Seventh business day preceding the last business day of the delivery month. Trading in expiring contracts closes at noon, Chicago time, on the last trading day.
Last Delivery Day	Last business day of the delivery month.
Trading Hours	Open Auction: 7:20 am - 2:00 pm, Chicago time, Monday – Friday, Electronic: 6:00 pm - 4:00 pm, Chicago time, Sunday – Friday, Trading in expiring contracts closes at noon, Chicago time, on the last trading day
Ticker Symbols	Open Auction: US, Electronic: ZB
Daily Price Limit	None
Speculative Margins	$1,215 / $900 (initial/maintenance)
Hedging Margins	$900 / $900 (initial/maintenance)

Metal futures

Gold

Perhaps no other market in the world has the universal appeal of the gold market. For centuries, gold has been coveted for its unique blend of rarity, beauty, and near indestructibility. Nations have embraced gold as a store of wealth and a medium of international exchange, and individuals have sought to possess gold as insurance against the day-to-day uncertainties of paper money. Gold is also a vital industrial metal -- it's an excellent conductor of electricity, is extremely resistant to corrosion, and is one of the most chemically stable of the elements, making it critically important in electronics and other high-tech applications.

Trading in gold futures and options provides individual investors with an easy and convenient alternative to traditional means of investing in gold -- such as bullion, coins, and mining stocks. In addition, a broad cross-section of companies in the gold industry, from mining companies to fabricators of finished products, can use gold futures and options contracts to hedge their price risk.

Contract Size	100 troy ounces
Exchange	New York Mercantile Exchange (NYMEX); COMEX Division
Trading volume in 2005	15,890,617 contracts
Deliverable Grades	In fulfillment of each contract, the seller must deliver 100 troy ounces (±5%) of refined gold, assaying not less than .995 fineness, cast either in one bar or in three one-kilogram bars, and bearing a serial number and identifying stamp of a refiner approved and listed by the Exchange. A list of approved refiners and assayers is available from the Exchange upon request.
Tick Size	$0.10 (10¢) per troy ounce ($10.00 per contract)
Price Quote	U.S. dollars and cents per troy ounce
Contract Months	Trading is conducted for delivery during the current calendar month; the next two calendar months; any February, April, August, and October falling within a 23-month period; and any June and December falling within a 60-month period beginning with the current month.
Last Trading Day	Trading terminates at the close of business on the third to last business day of the maturing delivery month.
Trading Hours	Open outcry trading is conducted from 8:20 AM until 1:30 PM. After-hours electronic trading begins at 2:00 PM on Mondays through Fridays and concludes at 8:00 AM the following day, with the exception of Friday's session which concludes at 4:30 PM that same day. On Sundays, the session begins at 7:00 PM and concludes at 8:00 AM the following day.
Ticker Symbol	GC
Daily Price Limit	Initial price limit, based upon the preceding day's settlement price, is $75.00 per ounce. Two minutes after either of the two most active months trades at the limit, trades in all months of futures and options will cease for a 15-minute period. Trading will also cease if either of the two active months is bid at the upper limit or offered at the lower limit for two minutes without trading. Trading will not cease if the limit is reached during the final 20 minutes of a day's trading. If the limit is reached during the final half hour of trading, trading will resume no later than 10 minutes before the normal closing time. When trading resumes after a cessation of trading, the price limits will be expanded by increments of 100%.
Speculative Margins	$1,750 / $1,750 (initial/maintenance)
Hedging Margins	$1,750 / $1,750 (initial/maintenance)

Silver

Silver has attracted man's interest for thousands of years. In ancient times, silver deposits were plentiful on or near the earth's surface. Relics of ancient civilizations include jewelry, religious artifacts, and food vessels formed from the durable, malleable metal.

In 1792, silver assumed a key role in the United States monetary system when Congress based the currency on the silver dollar, and its fixed relationship to silver. Silver was used for the nation's coinage until its use was discontinued in 1965.

At the turn of the century, an even more important economic function was emerging for silver, that of an industrial raw material. Today, silver is sought as a valuable and practical industrial commodity, and as an appealing investment. The largest industrial users of silver are the photographic, jewelry, and electronic industries.

Trading in silver futures and options provides individual investors with an easy and convenient alternative to traditional means of investing in silver -- such as coins and mining stocks. In addition, a broad cross-section of corporations -- from mining companies to fabricators of finished products -- can use silver futures and options contracts to hedge their price risk.

Contract Size	5,000 troy ounces
Exchange	New York Mercantile Exchange (NYMEX); COMEX Division
Trading volume in 2005	5,536,351 contracts
Deliverable Grades	In fulfillment of each contract, the seller must deliver 5,000 troy ounces (±6%) of refined silver, assaying not less than .999 fineness, in cast bars weighing 1,000 or 1,100 troy ounces each and bearing a serial number and identifying stamp of a refiner approved and listed by the Exchange. A list of approved refiners and assayers is available from the Exchange upon request.
Tick Size	Price changes for outright transactions, including EFPs, are in multiples of one-half cent (0.5¢ or $0.005) per troy ounce, equivalent to $25.00 per contract. For straddle or spread transactions, as well as the determination of settlement prices, the price changes are registered in multiples of one-tenth of a cent (0.10¢ or $0.001) per troy ounce, equivalent to $5.00 per contract. A fluctuation of one cent (1¢ or $0.01) is equivalent to $50.00 per contract.
Price Quote	U.S. dollars and cents per troy ounce
Contract Months	Trading is conducted for delivery during the current calendar month; the next two calendar months; any January, March, May, and September falling within a 23-month period; and any July and December falling within a 60-month period beginning with the current month.
Last Trading Day	Trading terminates at the close of business on the third to last business day of the maturing delivery month.
Trading Hours	Open outcry trading is conducted from 8:25 AM until 1:25 PM. After-hours electronic trading begins at 2:00 PM on Mondays through Fridays and concludes at 8:00 AM the following day, with the exception of Friday's session which concludes at 4:30 PM that same day. On Sundays, the session begins at 7:00 PM and concludes at 8:00 AM the following day.
Ticker Symbol	SI
Daily Price Limit	Initial price limit, based upon the preceding day's settlement price, is $1.50. Two minutes after either of the two most active months trades at the limit, trades in all months of futures and options will cease for a 15-minute period. Trading will also cease if either of the two active months is bid at the upper limit or offered at the lower limit for two minutes without trading. Trading will not cease if the limit is reached during the final 20 minutes of a day's trading. If the limit is reached during the final half hour of trading, trading will resume no later than 10 minutes before the normal closing time. When trading resumes after a cessation of trading, the price limits will be expanded by increments of 100%.
Speculative Margins	$5,063 / $5,063 (initial/maintenance)
Hedging Margins	$3,750 / $3,750 (initial/maintenance)

Platinum

Platinum is the principal metal of the six-metal group that bears its name; the other platinum group metals are palladium, rhodium, ruthenium, osmium, and iridium. All possess unique chemical and physical qualities that make them vital industrial materials.

Jewelry creates the largest demand for platinum, accounting for 51%. Automotive catalysts take 29% and chemical and petroleum refining catalysts, 13%. Platinum is also used in the computer industry and in other high-tech electronic applications since it is an excellent conductor of electricity, does not corrode, and has a low reactivity with other metals. This sector accounts for about 7% of consumption.

Platinum is among the world's scarcest metals; new mine production totals approximately only 5 million troy ounces a year. In contrast, gold mine production runs approximately 82 million ounces a year, and silver production is approximately 547 million ounces. Supplies of platinum are concentrated in South Africa, which accounts for approximately 80% of supply; Russia, 11%; and North America, 6%.

Because of the metal's importance as an industrial material, its relatively low production, and concentration among a few suppliers, platinum prices can be volatile. For this reason, it is often considered attractive to investors and speculators who are pursuing a profitable return on investment.

Contract Size	50 troy ounces

Exchange	New York Mercantile Exchange (NYMEX); COMEX Division
Trading volume in 2005	376,179 contracts
Deliverable Grades	In fulfillment of each contract, the seller must deliver 50 troy ounces (±7%) of platinum not less than .9995 fineness, with no single piece weighing less than 10 ounces. Each contract unit may consist of ingots or plates, each incised with the lot or bar number, weight, grade, name, or logo of the assayer, and symbol identifying the metal.
Tick Size	$0.10 (10¢) per troy ounce ($5.00 per contract)
Price Quote	U.S. dollars and cents per troy ounce
Contract Months	Trading is conducted over 15 months, beginning with the current month and the next two consecutive months before moving into the quarterly cycle of January, April, July, and October.
Last Trading Day	Trading terminates at the close of business on the third business day prior to the end of the delivery month.
Trading Hours	Open outcry trading is conducted from 8:20 AM to 1:05 PM. After-hours electronic trading begins at 2:00 PM on Mondays through Thursdays and concludes at 8:00 AM the following day. On Sundays, the session begins at 7:00 PM and concludes at 8:00 AM the following day.
Ticker Symbol	PL
Daily Price Limit	There is no maximum daily limit during the current delivery month, the closest cycle month, and any months preceding it. In other months, the daily limit is $50.00 per ounce ($2,500 per contract). If the price in any of the back months settles at the limit for two consecutive days, limits will be expanded to $75.00 per ounce ($3,750 per contract) and, if the market settles at that limit for two consecutive days, prices will be expanded to the maximum daily limit of $100.00 per ounce ($5,000 per contract) on the following day.
Speculative Margins	$2,700 / $2,000 (initial/maintenance)
Hedging Margins	$2,200 / $2,000 (initial/maintenance)

Appendix 7. CFTC Large-Trader Reporting levels

Commodity	Number of Contracts
Agricultural	
Wheat	150
Corn	250
Oats	60
Soybeans	150
Soybean Oil	200
Soybean Meal	200
Cotton	100
Frozen Concentrated Orange Juice	50
Milk, Class III	50
Rough Rice	50
Live Cattle	100
Feeder Cattle	50
Lean Hogs	100
Sugar No. 11	500
Sugar No. 14	100
Cocoa	100
Coffee	50
Natural Resources	
Copper	100
Gold	200
Silver Bullion	150
Platinum	50
No. 2 Heating Oil	250
Crude Oil, Sweet	350
Unleaded Gasoline	150
Natural Gas	200
Crude Oil, Sweet--No. 2 Heating Oil Crack Spread	250
Crude Oil, Sweet--Unleaded Gasoline Crack Spread	150
Unleaded Gasoline--No. 2 Heating Oil Spread Swap	150
Financial	
3-month (13-Week) U.S. Treasury Bills	150
30-Year U.S. Treasury Bonds	1,500
10-Year U.S. Treasury Notes	2,000
5-Year U.S. Treasury Notes	2,000
2-Year U.S. Treasury Notes	1,000
10-Year German Federal Government Debt	1,000
5-Year German Federal Government Debt	800
2-Year German Federal Government Debt	500
3-Month Eurodollar Time Deposit Rates	3,000
30-Day Fed Funds	600
1-month LIBOR Rates	600
3-month Euroyen	100
Major-Foreign Currencies (GBP,CAD,AUD,CHF,SWE,EUR)	400
Other Foreign Currencies	100
U.S. Dollar Index	50
Goldman Sachs Commodity Index	100
Broad-Based Security Indexes	
S&P 500 Stock Price Index	1,000
Municipal Bond Index	300
Other Broad-Based Securities Indexes	200
Security Futures Products	
Individual Equity Security	1,000
Narrow-Based Security Index	200
Other Products	
TRAKRS *(round down to nearest 1,000 then divide by 1,000)*	50,000
HedgeStreet Products *(round down to nearest 1,000 then divide by 1,000)*	125,000
All Other Commodities	25

Appendix 8. Release calendar of the COT reports in 2006

Monday November 28, 2005*
Friday December 2, 2005
Friday December 9, 2005
Friday December 16, 2005
Friday December 23, 2005
Friday December 30, 2005
Friday January 6, 2006
Friday January 13, 2006
Friday January 20, 2006
Friday January 27, 2006
Friday February 3, 2006
Friday February 10, 2006
Friday February 17, 2006
Friday February 24, 2006
Friday March 3, 2006
Friday March 10, 2006
Friday March 17, 2006
Friday March 24, 2006
Friday March 31, 2006
Friday April 7, 2006
Friday April 14, 2006
Friday April 21, 2006
Friday April 28, 2006
Friday May 5, 2006
Friday May 12, 2006
Friday May 19, 2006
Friday May 26, 2006
Friday June 2, 2006
Friday June 9, 2006
Friday June 16, 2006
Friday June 23, 2006
Friday June 30, 2006
Friday July 7, 2006
Friday July 14, 2006
Friday July 21, 2006
Friday July 28, 2006
Friday August 4, 2006
Friday August 11, 2006
Friday August 18, 2006
Friday August 25, 2006
Friday September 1, 2006
Friday September 8, 2006
Friday September 15 2006
Friday September 22, 2006
Friday September 29, 2006
Friday October 6, 2006
Friday October 13, 2006
Friday October 20, 2006
Friday October 27, 2006
Friday November 3, 2006
Monday November 13, 2006*
Friday November 17, 2006
Monday November 27, 2006*
Friday December 1, 2006
Friday December 8, 2006
Friday December 15, 2006
Friday December 22, 2006
Friday December 29, 2006

Appendix 9.

A-9.1 Barrie's historical tests on corn: tables taken from his article *The COT Index* (1996)

Description of studies | **Summary of results** | **Actual trades**

Corn study 1
Fade the commercials in April

Buy rule: Buy one contract of July corn when the COT index is less than or equal to 40%

Sell rule: Sell one contract of July corn when the COT index is equal to or greater than 60%.

Holding period: Any of the following: 5 days, 15, 20, 25 or 30 days.

GROUP: COMMERCIALS
MONTH: APRIL

	5 days	10 days	15 days	20 days	25 days	30 days
Total	42.75	116.75	108.50	179.50	189.25	220.25
Average	3.29	8.98	8.35	13.81	14.56	16.94
Min	-3.25	-8.50	-12.50	-16.50	-21.25	-14.25
Max	21.25	45.00	43.25	87.00	67.50	87.25
#Right	11	10	11	12	12	11
#Wrong	2	3	2	1	1	2
X^2	6.15	3.69	6.15	9.23	9.23	6.15

FADE THE COMMERCIALS

Date	Signal	5 days	10 days	15 days	20 days	25 days	30 days
04/05/84	Sell	5.00	3.25	14.50	9.75	11.25	9.50
04/04/85	Sell	0.50	2.75	1.75	5.50	5.25	6.25
04/06/89	Buy	2.75	8.50	2.25	9.25	8.75	4.25
04/05/90	Sell	-2.25	-8.50	-12.50	-16.50	-21.25	-14.25
04/03/91	Sell	2.00	0.00	0.50	9.75	10.00	15.50
04/06/92	Sell	6.50	9.75	14.75	5.50	4.50	10.50
04/05/93	Sell	-0.25	0.75	4.75	2.50	8.25	9.50
04/12/93	Sell	4.50	1.75	4.00	5.50	6.00	9.75
04/04/94	Sell	3.00	12.75	18.50	8.75	23.50	13.25
04/03/95	Buy	1.00	-4.50	-1.75	2.25	2.00	-1.00
04/17/95	Buy	0.50	2.25	2.50	5.00	5.50	13.00
04/01/96	Buy	21.25	43.00	43.25	87.00	58.00	87.25
04/15/96	Buy	1.25	45.00	16.00	45.25	67.50	51.75

Corn study 2
Small spec knows all in April

Buy signal: Buy July corn when the COT index for small speculators is equal to or greater than 75%.

Sell signal: Sell July corn when the COT index for small speculators is equal to or less than 25%.

Holding period: 10 days after the issuance of the COT report.

GROUP: SMALL SPEC
TYPE: FOLLOW

Month		# levels	Buy 75%	Sell 25%		
	5 days	10 days	15 days	20 days	25 days	30 days
Total	10.25	113.75	99.25	158.00	133.00	155.75
Average	0.68	7.58	6.62	10.53	9.50	11.13
Min	-19.00	-12.75	-18.50	-16.50	-20.50	-18.00
Max	21.25	45.00	43.25	87.00	67.50	67.25
#Right	8	12	11	11	10	10
#Wrong	7	3	4	4	4	4
X^2	0.00	6.33	3.20	3.20	2.50	2.50

SMALL SPECULATORS

Date	Signal	5 days	10 days	15 days	20 days	25 days	30 days
04/05/84	Sell	5.00	3.25	14.50	9.75	11.25	9.50
04/04/85	Sell	0.50	2.75	1.75	5.50	5.25	6.25
04/06/88	Sell	1.75	2.25	6.50	2.50	6.75	0.00
04/06/89	Buy	2.75	8.50	2.25	9.25	8.75	4.25
04/05/90	Sell	-2.25	-8.50	-12.50	-16.50	-21.25	-14.25
04/06/92	Sell	6.50	9.75	14.75	5.50	4.50	10.50
04/05/93	Sell	-3.25	0.75	4.75	2.50	8.25	6.50
04/19/93	Sell	4.50	1.75	4.00	5.50	6.00	9.75
04/04/94	Buy	-3.00	-12.75	-18.50	-8.75	-23.50	-13.25
04/18/94	Buy	-4.25	5.50	-9.25	1.00	9.00	12.50
04/03/95	Sell	-1.00	4.50	1.75	-2.25	-2.00	1.00
04/17/95	Sell	-0.50	-2.25	-2.50	-5.00	-5.50	-16.00
04/01/96	Buy	21.25	43.00	43.25	87.00	58.00	87.25
04/15/96	Buy	1.25	45.00	16.00	45.25	67.50	51.75

Corn study 3
Follow commercials in June

Buy signal: Buy July corn when the COT index for commercial hedgers is equal to or greater than 90%.

Sell signal: Sell July corn when the COT index for commercial hedgers is equal to or less than 75%.

Holding period: 15 days after the issuance of the COT report

GROUP: COMMERCIALS
TYPE: FOLLOW

Month		6 levels	Buy 90%	Sell 75%		
	5 days	10 days	15 days	20 days	25 days	30 days
Total	-11.50	30.75	67.25	24.25	91.25	49.75
Average	-1.05	2.80	6.11	2.49	9.18	6.22
Min	-13.00	-9.00	-7.75	-16.75	-23.50	-26.00
Max	15.00	16.00	23.50	02.50	32.75	33.25
#Right	3	7	9	6	8	6
#Wrong	8	4	2	4	2	2
X^2	2.18	0.73	4.36	0.30	3.50	1.88

SMALL SPECULATORS ← Error in printing, i.e. commercials, and not small speculators

Date	Signal	5 days	10 days	15 days	20 days	25 days	30 days
06/05/84	Buy	0.00	6.00	0.75	2.25	3.50	9.00
06/06/85	Sell	-1.75	-1.25	2.75	7.00	4.75	-5.00
06/04/87	Buy	-4.50	8.00	2.75	-16.75	-23.50	-26.00
06/06/89	Sell	15.00	-7.75	6.75	-7.50	5.50	16.25
06/06/90	Sell	-13.00	-7.25	-0.50	-15.00	-0.50	7.25
06/06/91	Sell	6.75	4.25	8.25	11.00	18.00	6.75
06/04/92	Sell	-2.00	10.25	12.00	9.25	19.50	33.25
06/01/93	Buy	-4.75	-9.00	-7.75	-6.00	7.50	8.25
06/13/94	Sell	-11.75	16.00	23.50	32.50	32.75	expired
06/12/95	Buy	6.50	8.25	1.25	6.50	23.75	expired
06/25/95	Buy	-2.00	3.25	20.50	expired	expired	expired

Corn study 4
Follow large speculators in June

Buy signal: Buy July corn when the COT index for large speculators is equal to or greater than 80%

Sell signal: Sell July corn when the COT index for large speculators is equal to or less than 50%

Holding period: 15 days after the issuance of COT report.

GROUP: LARGE SPECULATOR
TYPE: FOLLOW

Month		6 levels	Buy 80%	Sell 60%		
	5 days	10 days	15 days	20 days	25 days	30 days
Total	22.50	109.50	153.75	111.25	63.25	56.75
Average	1.61	7.82	10.98	10.11	5.75	7.09
Min	-12.50	-11.25	-18.00	-27.25	-39.00	-26.00
Max	15.00	65.00	98.00	97.50	43.75	59.00
#Right	6	9	11	7	8	4
#Wrong	8	5	3	4	3	4
X^2	0.21	1.07	4.50	0.73	2.18	0.13

LARGE SPECULATORS

Date	Signal	5 days	10 days	15 days	20 days	25 days	30 days
06/06/85	Sell	-1.75	1.25	2.75	7.00	4.75	-5.00
06/05/86	Buy	-2.50	3.75	-9.50	-27.25	-39.00	22.25
06/04/87	Buy	-4.50	8.00	2.75	-16.75	-23.50	-26.00
06/03/88	Buy	13.25	65.00	98.00	97.50	43.75	59.00
06/05/89	Sell	15.00	-7.75	8.75	-7.50	5.50	16.25
06/06/90	Buy	13.00	7.25	6.50	15.00	0.50	-7.25
06/06/91	Sell	8.75	4.25	8.25	11.00	18.00	8.75
06/04/92	Sell	-2.00	10.25	12.00	9.25	19.50	33.25
06/14/93	Sell	-2.00	4.75	-17.25	-16.00	-22.75	n.a.
06/28/93	Sell	-12.50	-11.25	-19.00	n.a.	n.a.	n.a.
06/13/94	Sell	-11.75	16.00	23.50	32.00	32.75	n.a.
06/27/94	Sell	7.00	16.00	16.25	n.a.	n.a.	n.a.
06/12/96	Buy	6.50	8.25	1.25	6.50	23.75	n.a.
06/28/96	Buy	-2.00	3.25	20.50	n.a.	n.a.	n.a.

Corn study 5
Fade small speculators in June

Buy signal: Buy July corn when the COT index for small speculators is less than or equal to 30%

Sell signal: Sell July corn when the COT index for small speculators is greater than or equal to 50%

Holding period: 15 days after the issuance of COT report.

GROUP: SMALL SPECULATOR
TYPE: FADE

Month		8 levels	Buy 90%	Sell 30%		
	5 days	10 days	15 days	20 days	25 days	30 days
Total	27.00	107.75	166.00	117.50	92.25	77.00
Average	2.25	8.98	10.83	10.68	8.39	8.56
Min	-11.75	-9.00	-9.50	-27.25	-39.00	-26.00
Max	15.00	65.00	98.00	97.50	43.75	59.00
#Right	5	9	10	7	9	6
#Wrong	7	3	2	4	2	3
X^2	0.25	2.92	5.25	0.73	4.36	0.89

SMALL SPECULATORS

Date	Signal	5 days	10 days	15 days	20 days	25 days	30 days
06/06/84	Buy	0.00	6.00	3.75	2.25	3.50	9.00
06/05/86	Buy	-2.50	-3.75	-9.50	-27.25	-39.00	-22.25
06/04/87	Buy	-4.50	8.00	2.75	-16.75	-23.50	-26.00
06/06/88	Buy	13.25	65.00	98.00	97.00	43.75	59.00
06/05/89	Sell	15.00	-7.75	6.75	-7.50	5.50	16.25
06/06/90	Buy	13.00	7.25	6.50	15.00	0.50	-7.25
06/05/91	Sell	6.75	4.25	8.25	11.00	18.00	6.75
06/04/92	Sell	-2.00	10.25	12.00	9.25	19.50	33.25
06/01/93	Buy	-4.75	-9.00	-7.75	-6.00	7.50	8.25
06/13/94	Sell	-11.75	16.00	23.50	32.50	32.75	n/a
06/12/96	Buy	6.50	8.25	1.25	6.50	23.75	n/a
06/26/96	Buy	-2.00	3.25	20.50	n/a	n/a	n/a

A-9.2 Barrie's historical tests on pork bellies; tables taken from his article *Pork Bellies and the COT Index* (1996)

Description of studies and summary of results	Actual/sample trades

GROUP: COMMERCIAL HEDGERS
BUY ABOVE 90%, SELL BELOW 10%

	5 days	10 days	15 days	20 days
Trades	58	58	58	58
Win	33	37	37	34
Loss	25	21	21	24
% Win	57%	64%	64%	59%
Sum P&L	38.41	65.11	90.04	90.39
Average	0.66	1.12	1.55	1.56
Max win	9.00	7.05	9.38	11.20
Max loss	-3.70	-6.05	-8.73	-7.70
χ^2	0.84	3.88	3.88	1.40

FIGURE 1A: EXTREME INDEX READINGS. Here are the results for buying February pork bellies when the COT index for commercial hedgers is greater than 90% and selling when the COT index is less than 10%. All returns are in cents.

FIGURE 1B: SAMPLE TRADE, SHORT SALE. Here's a sample trade in pork bellies showing a short sale when the COT index for commercial hedgers is less than 10%.

FIGURE 1C: SAMPLE TRADE, BUY. Here's a sample trade in pork bellies showing a buy when the COT index for commercial hedgers is greater than 90%.

GROUP: LARGE SPECULATORS
BUY ABOVE 60%, SELL BELOW 40%

	5 days	10 days	15 days	20 days
Trades	99	99	99	99
Win	58	53	57	56
Loss	41	46	42	44
% Win	59%	54%	58%	56%
Sum P&L	46.11	36.96	60.31	42.19
Average	0.47	0.37	0.61	0.43
Max win	6.25	7.00	9.38	10.63
Max loss	-4.20	-6.90	-8.73	-11.20
χ^2	2.59	0.36	1.98	1.01

FIGURE 2: LIBERAL INDEX READINGS. Taking a long position in February pork bellies whenever the large speculator COT index is above 60% and a short position whenever the large speculator COT index is below 40% produces poor results.

GROUP: LARGE SPECULATORS
MONTH: AUGUST
BUY ABOVE 80%, SELL BELOW 20%

	5 days	10 days	15 days	20 days	25 days	30 days
Trades	7	7	7	7	7	7
Win	4	6	7	6	6	6
Loss	3	1	0	1	1	1
% Win	57%	86%	100%	86%	86%	86%
Sum P&L	10.03	14.35	24.03	17.05	22.33	19.23
Average	1.43	2.05	3.43	2.44	3.19	2.75
Max win	5.15	4.45	5.43	4.68	6.70	7.33
Max loss	-2.40	-1.05	0.63	-4.75	-4.25	-7.73
χ^2	0.00	2.29	5.14	2.29	2.29	2.29

FIGURE 3A: FOLLOW THE LARGE SPECULATORS. During August, following the large speculators when the COT index is slightly bullish or bearish produces very good results.

FIGURE 3C: TWO SAMPLE TRADES, TAKING A LONG POSITION. Here are two sample trades during August that follow the lead of the large speculators by taking a long position when the large speculators are slightly bullish.

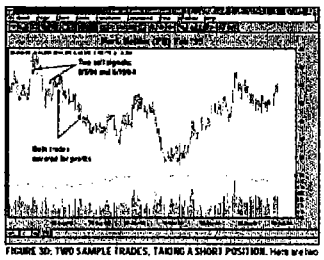


FIGURE 3D: TWO SAMPLE TRADES, TAKING A SHORT POSITION. Here are two sample trades during August that follow the large speculators by taking a short position when the large speculators are slightly bearish.

FOLLOW THE LARGE SPECULATORS

Date	Signal	Open	5 days	10 days	15 days	20 days	25 days	30 days
08/05/86	Sell	62	3.3	3.275	4.75	3.6	6.45	1.9
08/04/86	Sell	78.85	5.15	4.45	4.725	3.025	0.125	1.625
08/03/87	Buy	58.4	-2.4	-1.05	0.9	-4.75	-4.25	-7.725
08/05/94	Sell	46.65	0.85	3.55	2.575	3.425	3.925	6.125
08/19/94	Sell	43.35	-0.725	0.125	0.825	2.825	4.65	4.6
08/04/95	Buy	53	-0.875	0.45	5.425	4.25	5.725	5.375
08/18/95	Buy	53.7	4.725	3.55	5.025	4.675	6.7	7.325

FIGURE 3B: Here are the actual trades for February pork bellies during August.

GROUP: LARGE SPECULATORS
MONTH: NOVEMBER
TRADE TYPE: FADE

Sell above 80%, buy below 27%

	5 days	10 days	15 days	20 days	25 days	30 days
Trades	9	9	9	9	9	9
Win	5	5	7	9	9	8
Loss	4	4	2	0	0	1
% Win	56%	56%	78%	100%	100%	89%
Sum P&L	-0.55	5.53	19.53	32.38	38.25	28.78
Average	-0.06	0.61	2.17	3.60	4.25	3.20
Max win	3.20	6.43	7.15	7.60	5.78	6.80
Max loss	-4.95	-5.20	-6.55	0.73	2.13	-0.70
.V²	0.00	0.00	1.78	7.11	7.11	4.00

FIGURE 4A: FADE THE LARGE SPECS. During November, fading extreme COT index readings produces very good results.

FIGURE 4C: SAMPLE TRADE. Here's a sample trade in pork bellies that fades the large speculators by short selling on a bullish COT index reading.

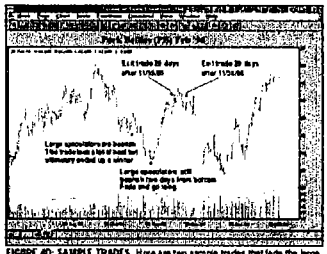


FIGURE 4D: SAMPLE TRADES. Here are two sample trades that fade the large speculators by buying on a bearish reading.

FADE THE LARGE SPECULATORS

Date	Signal	Open	5 days	10 days	15 days	20 days	25 days	30 days
11/04/85	Buy	61.5	1.1	-2.75	0.8	3.025	4.75	5.825
11/03/86	Buy	66.1	-1.225	2.925	7.15	7.6	5.35	2.425
11/03/89	Sell	58.225	-4.95	-5.3	-6.55	0.725	5.775	6.8
11/13/92	Sell	42	-1.2	1.85	3.6	3.875	3.3	4.625
11/27/92	Sell	41.45	3.2	4.25	3.15	4	3.625	1.65
11/12/93	Sell	58.225	1.875	2.125	3.825	1.475	2.125	-0.7
11/25/94	Buy	36.8	0.55	-0.575	2.7	3.55	4.775	4.15
11/10/95	Buy	57.55	-1.2	-3.425	-1.925	2.075	3.475	2.175
11/24/95	Buy	53.2	1.3	6.425	6.775	8.05	5.075	1.825

FIGURE 4B: Here are the actual trades.

GROUP: SMALL SPECULATORS
SELL ABOVE 95%, BUY 0% READINGS
TRADE TYPE: FADE

	5 days	10 days	15 days	20 days
Trades	48	48	48	48
Win	30	31	32	27
Loss	18	17	16	21
% Win	63%	65%	67%	56%
Sum P&L	32.20	35.05	67.93	46.63
Average	0.67	0.73	1.42	0.97
Max win	6.25	8.20	9.38	11.15
Max loss	-3.20	-5.90	-5.97	-11.20
.V²	2.52	3.52	4.69	0.52

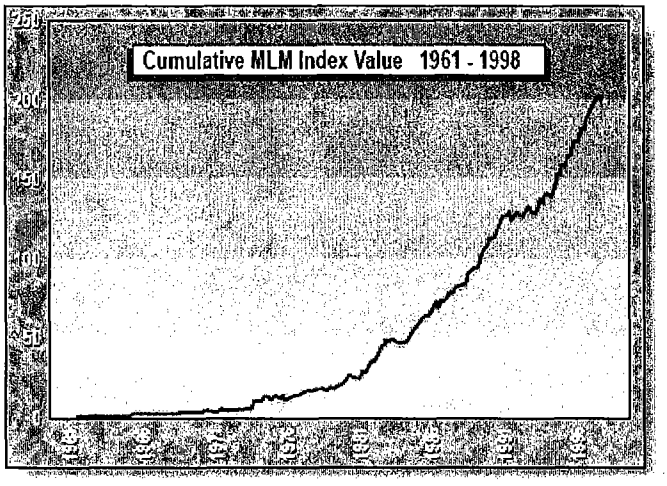
FIGURE 5A: FADE THE SMALL SPECULATORS. Taking a contrarian position during extreme readings of the COT index of small speculators produces very good results.

FIGURE 5B: SAMPLE TRADES IN PORK BELLIES. Here are two sample trades in pork bellies that fade the small speculators. The first trade took a loss but the second was profitable.

Appendix 10. Composition and performance of the MLM Index

The MLM index tracks the results of continuously maintaining unleveraged, equally weighted, simple trend following investments in the following 25 futures markets:

Corn	Unleaded gas	Treasury bonds
Soybeans	Gold	Australian dollars
Soybean meal	Silver	British pounds
Soybean oil	Copper	Canadian dollars
Wheat	Coffee	German marks
Live cattle	Cotton	Swiss francs
Heating oil	Sugar	Yen
Natural gas	5-year notes	
Crude oil	10-year notes	



RETURNS COMPARISON

(1961 through 1998)

	Avg. return	Median return	#Losing years	Avg. loss	Standard deviation
MLM Index	16.5%	12.5%	1	0.7%	17.0%
Large stocks	13.3	16.5	8	10.5	15.6
Small stocks	17.5	22.8	10	15.3	24.9
Corp. bonds	8.1	6.5	10	3.2	10.8
Govt. bonds	7.9	5.0	11	3.1	11.2

To: secretary@cftc.gov

Subject: COT Report

As an individual trader, I rely heavily on the COT report to assist me in making market decisions.

In response to your request for comments about the COT report, I am therefore deeply concerned that the CFTC would even consider discontinuing such a popular and insightful service. Your own site shows close to 500,000 users last year. The report has been the subject of over 40 University studies and two best selling books.

While the report may need modification, the number and size of exemptions granted by the Commission would seem to demand more transparency, not less. In general, any changes should not result in discontinuing, suspending or delaying, the Commitments' report, and the Commission should take precautions to implement report changes in such a way as to maintain continuity with historical data. Absent historical reference, the report becomes nearly unintelligible.

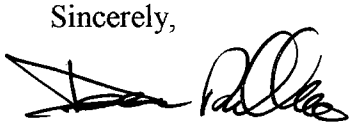
PLEASE ALSO CORRECT THE HEDGER DATA

Under the Commission's rules a hedge fund buying futures contracts is listed as a speculator and is subject to position limits. However, if the same hedge fund acts through an intermediary swap dealer, it can operate without position limits, and the position is categorized as a Commercial under the guise that the swap dealer is now a "bona fide hedger." If the Commission cannot see that this is the same speculative money, than I would prefer to see it listed under a separate category and reserve the hedger category for traditional hedgers.

I urge you to continue publishing the reports. They are a valuable tool for investors throughout the world.

Thank you for keeping our markets transparent with full disclosure to the public.

Sincerely,



Dennis Pullaro
11570 N. 90th Way
Scottsdale, AZ 85260

July 21, 2006

Eileen Donovan, Acting Secretary
Commodity Trading Futures Commission
Three Lafayette Center
1155 21st Street, NW
Washington, DC 20581

Dear Acting Secretary:

Subject: COT Report

As an individual trader, I rely heavily on the COT report to assist me in making market decisions.

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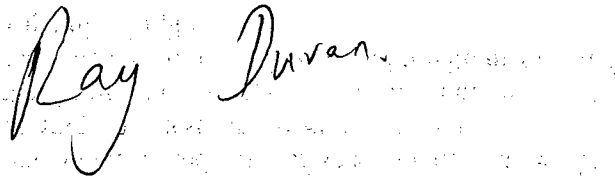

Ray Duran
4329 N Hamblin St, Flagstaff AZ 86004

Eileen Donovan, Acting Secretary
Commodity Trading Futures Commission
Three Lafayette Center
1155 21st Street, NW
Washington, DC 20581

John Sun
931 Parkview Drive
Phoenixville, PA19460

Dear Ms. Donovan:

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I urge you to continue publishing the reports. They are a valuable tool for investors throughout the world.

Thank you for keeping our markets transparent with full disclosure to the public.

Sincerely yours,

John Sun
07/22/2006

To: secretary@cftc.gov

Eileen Donovan, Acting Secretary
Commodity Trading Futures Commission
Three Lafayette Center
1155 21st Street, NW
Washington, DC 20581

From: Wholesome Recreation Corporation

Date: July 22, 2006

Subj: COT Report

As an individual trader, I rely heavily on the COT report to assist me in making market decisions.

In response to your request for comments about the COT report, I am therefore deeply concerned that the CFTC would even consider discontinuing such a popular and insightful service. Your own site shows close to 500,000 users last year. The report has been the subject of over 40 University studies and two best selling books.

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I urge you to continue publishing the reports. They are a valuable tool for investors throughout the world.

Thank you for keeping our markets transparent with full disclosure to the public.

Very truly yours

Wholesome Recreation Corporation, Ohio phone (937) 648-9151

To: Eileen Donovan, Acting Secretary
Commodity Trading Futures Commission
Three Lafayette Center
1155 21st Street, NW
Washington, DC 20581

From: Douglas S. Fala
25592 Loganberry LN
Lake Forest, CA 92630

Subj: COT Report

In response to your request for comments about the COT report, I am therefore deeply concerned that the CFTC would even consider discontinuing such a popular and insightful service. As an individual trader, I rely heavily on the COT report to assist me in making market decisions.

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Sincerely,

Douglas S. Fala

Rolf Steinkampf
Zuckerfabrik 14
38173 Dettum Tel: (0 53 33) 2 96
Germany

Mönchevahlberg, den 23.07.06
Volksbank Börßum- Hornburg BLZ 270 622 90
Konto Nr. 33 790 009

Rolf Steinkampf Zuckerfabrik 14 38173 Mönchevahlberg; Germany

CFTC Headquarters Office
Three Lafayette Centre
1155 21st Street, NW
Washington DC 20581

USA

-

Ihr Zeichen Ihre Nachricht vom

Please save the COT report

Dear Sirs,

in the news I read, you may end COT Reports. Please don´t do this. It´s a wounderful possibility to learn about the markets. To minder the risk while trading futures, I can use this tool. May be, when you end the COT report, the market will get a little bit less liquidity. It would be more difficult, to trade without knowing about the Commercials. I ever hoped, the exchanges outside the USA would publish such an report, like you. When you stop it, they never do, I think. Here in germany for example, it´s an argument to trade futures, may be for farmers like me, that we have the report. As a farmer I get information about corn, wheat, lean hog, feeder cattle and so on. But for trading futures, I need to know, what the commercials are doing. Your country, the United States of America, that country with the best financial culture, with the highest market transparency, shows it.

If it is because of the costs, you want to end the report, please take money for publishing the report. Please offer a subscription, may be combined with a software with historical data of net positions and open interest.

Please keep the markets transparent with full disclosure.

With best regards from germany,
a country without a good soft scommodity exchange,
without own COT report

Rolf Steinkampf

secretary

From: deleurant [rdeleurant@ntl.sympatico.ca]
Sent: Monday, July 31, 2006 3:10 PM
To: secretary
Subject: COT report

Please continue publishing this report with all statistics

Many thanks,
R. Deleurant

--

secretary

From: StykTrader@aol.com
Sent: Monday, July 31, 2006 3:54 PM
To: secretary
Subject: COT Reports

Dear Secretary,

I am appreciative of the Commitment of Traders reports that your office provides.

If it were possible it would be of great help if the reports were more currant.

Respectfully,

Kenneth E. Styskal
StykTrader@aol.com
770-382-4626

Ron Jackson
5075 Oakmont Dr.
Beaumont, Texas 77706

July 26, 2006

Eileen Donovan, Acting Secretary
Commodity Trading Futures Commission
Three Lafayette Center
1155 21st Street, NW
Washington, DC 20581

Dear Ms. Donovan:

As an individual trader, I rely heavily on the COT report to assist me in making market decisions.

In response to your request for comments about the COT report, I am therefore deeply concerned that the CFTC would even consider discontinuing such a popular and insightful service. Your own site shows close to 500,000 users last year. The report has been the subject of over 40 University studies and two best selling books.

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I urge you to continue publishing the reports. They are a valuable tool for investors throughout the world.

Thank you for keeping our markets transparent with full disclosure to the public.

Sincerely,

Ron Jackson

secretary

From: Tim Jenson [timjenson@cox.net]
Sent: Monday, July 31, 2006 12:42 PM
To: secretary
Subject: COT Report

As an individual trader, I rely heavily on the COT report to assist me in making market decisions.

I am therefore deeply concerned that the CFTC would even consider discontinuing such a popular and insightful service. Your own site shows close to 500,000 users last year. The report has been the subject of over 40 University studies and two best selling books.

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Thank you for keeping our markets transparent with full disclosure to the public.

secretary

From: george.baker@ubs.com
Sent: Monday, July 31, 2006 12:35 PM
To: secretary
Subject: Commitment Report

I have been a commodity broker with Paine Webber, now UBS, for over twenty years, and find the Commitment of Traders weekly report invaluable in gauging market sentiment. Please do not discontinue reporting. George Baker, V.P. and Branch Mgr UBS Boulder CO. office

George Baker

secretary

From: robert [robertkearns@bellsouth.net]
Sent: Monday, July 31, 2006 12:33 PM
To: secretary
Subject: COT report

7/31/06
KEEP the Cot reports coming. Better yet, make them more frequent! The Govt and it's various agencies need to STOP their ominous meddling in our supposed "free" markets !
Bob

secretary

From: VALREE SMITH [valree@email.uophx.edu]
Sent: Monday, July 31, 2006 11:27 AM
To: secretary
Subject: COT Report

As an individual trader, I rely heavily on the COT report to assist me in making market decisions.

I am therefore deeply concerned that the CFTC would even consider discontinuing such a popular and insightful service. Your own site shows close to 500,000 users last year. The report has been the subject of over 40 University studies and two best selling books.

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Thank you for keeping our markets transparent with full disclosure to the public.

secretary

From: David Parrish [davidparrish@bellsouth.net]
Sent: Monday, July 31, 2006 11:24 AM
To: secretary
Subject: COT Report

As an individual trader, I rely heavily on the COT report to assist me in making market decisions.

I am therefore deeply concerned that the CFTC would even consider discontinuing such a popular and insightful service. Your own site shows close to 500,000 users last year. The report has been the subject of over 40 University studies and two best selling books.

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Thank you for keeping our markets transparent with full disclosure to the public.

secretary

From: Savic Michaela [smichaela@bluewin.ch]
Sent: Monday, July 31, 2006 11:23 AM
To: secretary
Subject: COT Report

As an individual trader, I rely heavily on the COT report to assist me in making market decisions.

In response to your request for comments about the COT report, I am therefore deeply concerned that the CFTC would even consider discontinuing such a popular and insightful service. Your own site shows close to 500,000 users last year. The report has been the subject of over 40 University studies and two best selling books.

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Thank you for keeping our markets transparent with full disclosure to the public.

secretary

From: Dave Webber [dave@djwebberandassociates.com]
Sent: Monday, July 31, 2006 10:38 AM
To: secretary
Subject: COT Report

As an individual trader, I rely heavily on the COT report to assist me in making market decisions.

I am therefore deeply concerned that the CFTC would even consider discontinuing such a popular and insightful service. Your own site shows close to 500,000 users last year. The report has been the subject of over 40 University studies and two best selling books.

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Thank you for keeping our markets transparent with full disclosure to the public.

Damon Wells
2001 Kirby Drive, Suite 806
Houston, Texas 77019

July 25, 2006

The Hon. Reuben Jeffery, Chairman
Commodity Futures Trading Commission
1155 21st Street NW
Washington, D.C. 20581

Dear Chairman Jeffery:

I am a private investor who occasionally trades in the commodity markets.

Recently I learned with dismay that there is a move on to stop the publishing of the weekly Commitments of Traders report, which has been in the public domain at least since 1962.

Such a move would tilt even farther the playing field in favor of the insiders and big players and against individuals like myself.

The weekly reports of Commitments is an invaluable aid to those like myself in order to get a better picture of the current situation of commodity markets. As such, it shines a bright light into the arcane world of professional traders.

The proposed rule change strikes me as being very much at odds with the current climate of public opinion both inside and outside of Washington. The SEC has quite rightly been bearing down on the abuses of insider trading and the irresponsible greed of corporate management, including the recent examples of abusive stock options.

The proposed rule change by the CFTC seems to be moving regulation in the other direction - toward less transparency, not more.

The odds are already stacked against the individual investor/trader like myself.

I strongly urge that the commission not increase this imbalance further and keep the Commitments of Traders available to all.

Respectfully,

Damon Wells

Damon Wells, PhD

cc: Senator Paul Sarbanes
Senator Richard Lugar

secretary

From: Jeff krupka [Jeff krupka@insightbb.com]
Sent: Monday, July 31, 2006 9:45 AM
To: secretary
Subject: COT Report

As an individual trader, I rely heavily on the COT report to assist me in making market decisions.

I am therefore deeply concerned that the CFTC would even consider discontinuing such a popular and insightful service. Your own site shows close to 500,000 users last year. The report has been the subject of over 40 University studies and two best selling books.

While the report may need modification, the number and size of exemptions granted by the Commission would seem to demand more transparency, not less. In general, any changes should not result in discontinuing, suspending or delaying, the Commitments' report, and the Commission should take precautions to implement report changes in such a way as to maintain continuity with historical data. Absent historical reference, the report becomes nearly unintelligible.

PLEASE ALSO CORRECT THE HEDGER DATA

Under the Commission's rules a hedge fund buying futures contracts is listed as a speculator and is subject to position limits. However, if the same hedge fund acts through an intermediary swap dealer, it can operate without position limits, and the position is categorized as a Commercial under the guise that the swap dealer is now a "bona fide hedger." If the Commission cannot see that this is the same speculative money, then I would prefer to see it listed under a separate category and reserve the hedger category for traditional hedgers.

I urge you to continue publishing the reports. They are a valuable tool for investors throughout the world.

Thank you for keeping our markets transparent with full disclosure to the public.

secretary

From: Phillip Roberts [proberts6453@wideopenwest.com]

Sent: Monday, July 31, 2006 10:07 AM

To: secretary

Subject: COT Reports

Dear Ms. Donavan;
As a small investor I urge you to keep publishing the Commitment of Traders Report.
This information helps level the playing field for the small investor. And would give an even greater advantage to the large commercial funds if the report were no longer available.

Sincerely,
Phillip Roberts

secretary

From: Hogan, Tom J. [tom.hogan@nreca.coop]
Sent: Monday, July 31, 2006 8:57 AM
To: secretary
Subject: COT Reports

It is inexcusable to restrict the flow of market information. Do not allow the COT Reports to be eliminated, in fact, the frequency should be increased.

Thomas J. Hogan
Registered Rep

secretary

From: Lavens,Todd [Todd.Lavens@siemens.com]
Sent: Monday, July 31, 2006 8:21 AM
To: secretary
Cc: lavenst@shaw.ca
Subject: COT reports

In response to your request for comments, I am deeply concerned that the CFTC would consider discontinuing such a popular and insightful report.
While the report may need modification, the number and size of exemptions granted by the Commission would seem to demand more transparency, not less.
Certainly true hedgers should have their own category. In general, any modification must avoid discontinuing, suspending, or delaying the Commitments reporting. And the Commission should take precautions to implement report changes in such a way as to maintain continuity with historical data. Finally, I would request that if the Commission should decide to make changes that could negatively affect the continuation, continuity, or promptness of the COT report, that it submit such proposed changes for further specific public comment.

Sincerely yours,

MT Lavens, MD

secretary

From: Dennis Johnson [dljohnson@cableone.net]
Sent: Monday, July 31, 2006 1:27 AM
To: secretary
Subject: COT reports

Please consider EXPANDING COT reports to include the NAMES of the largest traders (companies) and their positions in the commercial category. I would appreciate MORE light and clarity.

Please do not under any circumstance reduce the amount of information in the present COT format!

Thank you.

Dennis L. Johnson
3023 18th St S
Moorhead, MN 56560
dljohnson@cableone.net

secretary

From: simona [hg.tra@alice.it]
Sent: Monday, July 31, 2006 7:44 AM
To: secretary
Subject: COT report

Dear Madame/Sir,

Instead of cancelling the cot reports you should increase the frequence to every day the market is open. With present automatic/computorized systems etc ,this is a must to do. This is to protect the small investors who give the governement the mandate to rule the country.

so do your job.

With kind Regards
COT user in Italy

secretary

From: Humphry Hamilton [hwhamilton@icon.co.za]
Sent: Monday, July 31, 2006 6:10 AM
To: secretary
Subject: COT report

Dear Sir

The COT report is an important source of transparency in the market. Your point concerning the non-traditional hedgers may be valid and perhaps the classification of traders needs to be addressed. However, in my opinion the continued reporting of the weekly COT report is important as is the separation between the hedgers and the speculators.

Yours

Humphry Hamilton

secretary

From: Michel Bittar [michael.bittar@bluewin.ch]

Sent: Monday, July 31, 2006 5:39 AM

To: secretary

Cc: Custserv@dailygraphs.com; Customerservice@Elliottwave.Com; DecisionPoint (DecisionPoint); Gabriel Bittar, PhD, Geneva University (Gabriel Bittar, PhD, Geneva University); JEAN WILHELM; Lowry's Reports (Lowry's Reports); marc mandofia; mario emery (mario emery)

Subject: COT data

Sir

I understand that the CFTC is studying the idea of stopping publishing weekly COT data.

Frankly such a move will not help the transparency to which all market participants have a right to aspire to: Confidence in the market system is already shaken by the FED decision not to continue publishing M3 figures...

It looks more and more as if the market should be as opaque as possible to help large groups of interest to manipulate it at their ease!!. Needless to say that the move that is being planned will only comfort such an impression and be detrimental to the financial system health in the long run...

We earnestly ask you to throw the idea in the waste paper basket!
Thank you

Regards
Michel Bittar

secretary

From: Sonia Jeeves [soniajeeves@adam.com.au]
Sent: Monday, July 31, 2006 3:33 AM
To: secretary
Subject: COT Report

As an individual trader, I rely heavily on the COT report to assist me in making market decisions.

I am therefore deeply concerned that the CFTC would even consider discontinuing such a popular and insightful service. Your own site shows close to 500,000 users last year. The report has been the subject of over 40 University studies and two best selling books.

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I urge you to continue publishing the reports. They are a valuable tool for investors throughout the world.

Thank you for keeping our markets transparent with full disclosure to the public.

Regards,
Sonia Jeeves
14 St Albans Drive
Burnside SA 5066,
Australia

Phone: 08 8364 7150
Mobile: 0411 843 128
Email: soniajeeves@adam.com.au

secretary

From: SafeDollar@aol.com
Sent: Monday, July 31, 2006 1:33 AM
To: secretary
Subject: data

Please continue the COT data on a weekly basis. Or, more often if you desire. This is very important data and helps in the transparency of the markets. To stop it would be something that would hurt the average, small investor like myself.

Bill Landers
San Jose, CA