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**COMMENT**

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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: 13

Henry Fellerman  
7101 West Yale Avenue #1103  
Denver, CO 80227  
303-981-5874

August 12, 2006

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

Dear Mr. Jeffery:

I've heard a rumor that your department is considering a plan to either eliminate or reduce the information in the Commitment of Traders (COT) report, or at least put it out less often than once a week. I find this very distressing though I am not surprised. There is a major effort underway by the Federal government to cut back on information it makes available to the public.

For example, in March the Federal Reserve Board stopped publishing data on the M3 money supply. As the Fed's job is to create money you would think that the total amount of its product was something it would not think of taking away. The Fed initially gave as a reason that this change would save \$1,500,000 a year. I've run that explanation by some lifetime Federal employees. They are so taken aback that they can't even respond. For what it is worth, the banks still have the same reporting requirements and so are still sending via electronic media the same info into the Federal Reserve. At the Fed the same computers are still turning this same data into reports. So, obviously, there is no cost saving. The Fed still has M3 data but just chooses not to make it public. At the time M3 info was pulled from public view, money was growing at the rate of 8.5% annually. The Federal Reserve Board pulled M3 so outsiders, both the American people and foreigners, wouldn't know what it was up to.

Since 1977 the President of the United States has had the power to override securities laws in cases of "national security" and have public corporations report financial results in any manner that he wants. This means politically well-connected companies can tell lies in their audited financial statements. President Bush has taken this one step further and delegated that authority to John Negroponte, who is a career government time-server, Republican insider and Bush-family confidant. So Negroponte can allow any politically-connected business to mislead the American people. After this, no one in his right mind would believe anything he reads in an annual report.

Page 2  
August 12, 2006

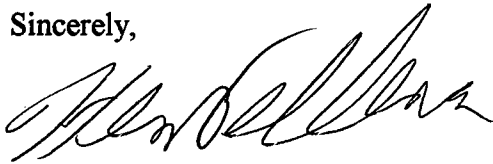
The COT is a flawed report. It is not issued daily and hides the names of the principals. In Japan a similar report is issued every day and contains the names and position sizes of the largest operators. Your department operates should operate under the principle that more information is better. I know you would say that identifying large operators would put them at a competitive disadvantage. However, if a Goldman Sachs doesn't want to be identified it doesn't have to play in the commodity markets.

I believe the reason you would do away with the COT report is that a few big operators have been manipulating certain commodity markets for a long time as you looked on and assisted them in their crimes. Now the markets are starting to act in an entirely predictable manner—they are seizing up and you want to hide that fact from the American people.

Companies like Goldman Sachs and JP Morgan Chase have such large and concentrated short positions in silver that they can't get out—no one will sell to them so they can buy back their massive shorts. From here on the COT will show ever more lopsided and absurd positions until you let the silver shorts default on their contracts and force a cash settlement on the longs.

I hope you prove my skepticism wrong and keep the COT. By making it more frequent and putting in more information you would be serving the public interest.

Sincerely,



Henry Fellerman

cc:

Representative Diane DeGette  
1527 Longworth House Office Building  
Washington, DC 20515

Senator Ken Salazar  
702 Hart Senate Office Building  
Washington, DC 20510

Senator Wayne Allard  
521 Dirksen Senate Office Building  
Washington, DC 20510

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

Email: [secretary@cftc.gov](mailto:secretary@cftc.gov)

Subject: COT reports

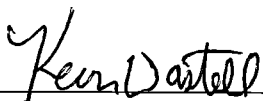
In response to your request for comments, I am deeply concerned that the CFTC would consider discontinuing such a popular and insightful report. While the report may need modification, the number and size of exemptions granted by the Commission would seem to demand more transparency, not less. In general, 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 the 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.



Signed

Soldotna, AK

**secretary**

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**From:** Robert Rethfeld [rrethfeld@wellenreiter-invest.de]  
**Sent:** Friday, August 18, 2006 12:48 PM  
**To:** secretary  
**Subject:** COT reports

Dear Sirs,

Writing to you from Germany as a service specialised among others in the interpretation of COT data and representing thousands of our readers in German speaking countries. Our answers in red.

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?  
 We are using them as our guideline looking for divergences and extremes.

(b) How do they use the COT information on non-commercial positions?

Small specs tend to be on the wrong side of the market, the large specs do not offer anything special to us. Again we are looking for divergences and extremes.

(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?

Traders can get the information about a trend how supply and demand may have change or if the price movement is just a speculative move.

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

- Visualization of the information in time series
- Creating ratios from the published quantities, building further time series, showing the net commitment ratio measured by total net commitment (sum) of all trader categories
- Visualization of further worked up time series

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

Not as long as the minimum size of traders is guaranteed

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

Yes, without doubt. The data are very helpful in getting insights in all marktes (stocks, treasuries, currencies, commodities).

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?

In order to get a clear picture of the true positions of the commercials we would like to welcome such efforts.

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)?

It might be wise to publish the position size of swap dealers per market in percent as an orientation for traders. Swap dealers should not be forced to publish their positions in detail.

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 data for a market from 20 traders to some larger number of traders?

- a) This should be avoided.
- b) This is nothing we are able to judge.
- c) We think 20-25 traders is large enough

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?

For the physical commodity markets only.

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)?

Yes.

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?

Ok.

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?

No, not from our point of view.

Best regards  
Robert Rethfeld

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Robert Rethfeld  
Troppauer Str. 9  
61440 Oberursel  
Germany



**secretary**

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**From:** Mawer, Steve [Steve.Mawer@kochind.com]  
**Sent:** Friday, August 18, 2006 9:19 AM  
**To:** secretary  
**Cc:** Vigilius, Morten (Koch Legal)  
**Subject:** Comments regarding COT reports

Eileen Donovan  
Acting Secretary  
Commodity Futures Trading Commission

Dear Ms. Acting Secretary,

This email is submitted in response to the CFTC's June 21, 2006 request for comment regarding COT reports. On behalf of Koch Supply & Trading, LP, I would like to thank you for the opportunity to comment.

It is KS&T's belief that the COT reports could be made more valuable to the public if the current COT reporting system were modified in the following respects:

1. Daily reporting rather than weekly;
2. Release of reports as soon as possible after collection of the relevant open interest data, preferably the following day; and
3. Supplemental reporting of the open interest for each of the first three (3) nearby contract months.

Please let me know if you would like to discuss any of these suggestions further. Thank you for considering our comments.

Sincerely,

Stephen P. Mawer

President  
Koch Supply & Trading

Tel: 713-544-5033  
Email: mawers@kochind.com

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To: the Commodity Futures Trading Commission  
secretary@cftc.gov

Subject: COT Report

I appreciate the diligent work that goes into the invaluable Commitments Of Traders reports, as an American and as a trader. It is one of the things that bring full disclosure to the public in the Futures markets. It is one of the very best functions of government for and by the People. I use it on a very regular basis in making determinations in my trading.

Besides the large number of visitors directly to the CFTC/COT site, please bear in mind that the actual number of users of this information is in actuality far larger. Many of us get these reports in .pdf files from our brokers, on their websites, and the COT information is also in graphical form in many charting services.

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.

Frankly, I suspect that the CFTC is under pressure from the well financed interests of the Hedge funds, who would rather the COT information not be public; or made more obscure, or delayed.

One might as well attempt to trade without the use of charts!

If the COT reports were to cease or be made less available in any way, it would only serve to create a new category of INSIDER INFORMATION and demonstrate that this is government for sale to the highest bidder. If that were to happen, it is predictable that the CFTC would find itself embroiled in fierce class action litigation as well.

#### 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 and improving the COT report.  
Thank you for keeping our markets transparent with full disclosure to the public.

Respectfully,  
Craeghton Nordahn

**secretary**

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**From:** Roger Sanschagrin [rsanscha@globetrotter.net]  
**Sent:** Saturday, August 12, 2006 10:02 PM  
**To:** secretary  
**Subject:** subject : Cot report

**subject : Cot report**

**Mister secretary,**

**hello,**

**As a careful user of COT reports for many years, I inform you that I red on the web that you project to stop publishing this useful datas.**

**if it's true, I consider it would be a great loss, at least for private investors.**

**More, it would add to opacity and confer an unfair advantage to big operators (who will have the means to reconstitute these datas more easily than small ones).**

**on the contrary, I dare propose a suggestion : instead of stopping the publication, you should, improve it and provide more transparancy to the market, wich, according to your mandate, is one of your duties (if not the main) .**

**To achieve this objective, your reports 'd better include the spread data also for the commercial traders, as they currently include for the non-commercial traders only.**

**Opacity never benefit to honest people, You are in place to fight against opacity, not to improve it... Isn't it simple and clear?**

**Respectfully,**

[rsanscha@globetrotter.net](mailto:rsanscha@globetrotter.net)

**secretary**

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**From:** mike nolan [michaelnolan@optonline.net]  
**Sent:** Tuesday, August 15, 2006 10:35 PM  
**To:** secretary  
**Subject:** COT reports

Eileen,

The cot report has become less meaningful in Energy. With the Intercontinental Exchange or ICE becoming just as competitive as NYMEX, we see just one side of the equation when looking at your report. The CFTC doesn't show ICE positions/OI. This has been a problem for natural gas for several years, and just recently, is effecting crude, heating oil, and unlead. Example - natural gas shows a 26,000 net long position by the non-commercials as of 8/8. Then factor in the 106,000 net long for the non-commercial on the Henry hub gas swap ( $518g-92g = 426$ ,  $426/4 = 106$ ). this gives you a total of 132,000 net long by non commercials. This seems like a very large long position. However, many of these traders that have reported to the COT are short the ICE equivalents. The net long position might only be 25,000 when factoring ICE positions, perhaps a net short position. We will never know by looking at your report. Just recently, crude and products started trading on ICE. It's just a matter of time before your report becomes meaningless, unless you publish data from ICE. I've been in the brokerage business for lyres. I have many clients that report net long positions from NYMEX, but are actually flat because they are short the ICE equivalent.

## secretary

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**From:** helios [helios@dock.net]  
**Sent:** Friday, August 18, 2006 11:42 AM  
**To:** secretary  
**Subject:** COT Report

**Attachments:** COT Report.doc



COT Report.doc  
(61 KB)

To: the Commodity Futures Trading Commission secretary@cftc.gov

Subject: COT Report

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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.

Frankly, I suspect that the CFTC is under pressure from the well financed interests of the Hedge funds, who would rather the COT information not be public; or made more obscure, or delayed.

One might as well attempt to trade without the use of charts!

If the COT reports were to cease or be made less available in any way, it would only serve to create a new category of INSIDER INFORMATION and demonstrate that this is government for sale to the highest bidder. If that were to happen, it is predictable that the CFTC would find itself embroiled in fierce class action litigation as well.

### 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 and improving the COT report.  
Thank you for keeping our markets transparent with full disclosure to the public.

Respectfully,  
Craeghton Nordahn

**secretary**

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**From:** Joerg Mueller [muellerjoerg@yahoo.com]  
**Sent:** Friday, August 18, 2006 11:00 AM  
**To:** secretary  
**Subject:** COT Reports

Dear Ladies and Gentlemen,

Thank you for requesting feedback on your COT reports and also for generating these reports in general.

The COT reports by the CFTC are one of the most important tools to empower the small retail investor to make wise investment decisions. It gives us a very good picture of how the "insiders" of a market, i.e. the big producers or merchants, judge the current market price. Usually, these insiders have a better understanding and make better decisions as to be long or short. I base my investment decisions to at least 50% on the COT report and it helped me tremendously to increase my investment results. This in turn raises my tax base which then is profitable to our US governments as well. Therefore, I believe it is in our mutual interest to at least keep the COT reports in their present forms or ideally increase the frequency of the report releases from weekly to daily. I am convinced this would help the average US consumer to gain an even better understanding of the true market conditions and to improve their consume and investment decisions. Nothing empowers the "little guy" more versus the market insiders than the COT reports.

Let me thank you again for creating these so insightful reports for such a long period of time.

Best regards,

Joerg Mueller  
3513 E Le Marche Avenue  
Phoenix, AZ 85032

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## **secretary**

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**From:** johnnyh@rof.net  
**Sent:** Friday, August 18, 2006 12:55 PM  
**To:** secretary  
**Subject:** COT reports

The COT reports are an invaluable resource in helping to keep the futures markets transparent. They help to keep the game fair for the little guy against the big giants. Please keep publishing them with any changes deemed necessary to help keep the markets transparent.

Thank you, Johnny Harano

**secretary**

---

**From:** jan lindsey [janjlins1@cox.net]  
**Sent:** Friday, August 18, 2006 1:52 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.

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.

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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.



**secretary**

---

**From:** Rodnny Vargas [rodnyjvargas@yahoo.com]  
**Sent:** Friday, August 18, 2006 1:51 PM  
**To:** secretary  
**Subject:** COT Report

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Respectfully Yours

Rodnny

8/18/2006

**secretary**

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**From:** J Futures [jimm.futures@googlemail.com]  
**Sent:** Friday, August 18, 2006 4:30 PM  
**To:** secretary  
**Subject:** COT Report

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8/18/2006