

# Trends In Futures



**Learn to Analyze the  
New COT Report like a Pro**

**For Futures, Options and FOREX traders!**

By Gary Kamen

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Commitments of Traders  
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# Trends In Futures

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# INTRODUCTION

Hi, this is Gary Kamen, and if you are trading futures, Forex, exchange-traded funds (**ETFs**), or options I cannot stress enough the importance of incorporating the new Disaggregated COT report into your trading.

As someone who has been involved in the futures market for 25 years I have seen it all. I have seen professional floor traders make millions and blow millions. I have seen retail traders lose everything and not have a clue as to what happened. Very few traders learn and develop strategies based on the simple logic of how and why price moves as it does in any market.

There is an old saying that you can never go broke by taking profits. I hear so many traders tell me that they had a winner and let it turn into a loser. **RIGHT NOW** type a letter to yourself that says **NEVER TURN A WINNER INTO A LOSER**. If you need help with knowing when to exit a profitable trade and you are not a current member of Trends in Futures I highly recommend taking a [30-day trial](#). At Trends in Futures you will learn how to **PUT MONEY IN YOUR POCKET**.

## ABOUT THIS BOOK

In the following pages you will learn about a tool that can help you get into a trade and maximize your profits. You will have greater confidence when you see clearly who is supporting the trade you are in, and if and when you should tighten your stops. It does not matter if you trade futures, Forex, ETFs, or options, this tool will be extremely helpful in managing your trades.

Of course, if you have any questions about anything you read in this book feel free to contact me by email [Gary@TrendsInFutures.com](mailto:Gary@TrendsInFutures.com) or you can call me (yes, I am a real person) at 312-506-8706.

Be well, trade well, and follow the trends,

**Gary Kamen**

*"Our greatest weakness lies in giving up.  
The most certain way to succeed is always try one more time"*

**—Thomas A. Edison**

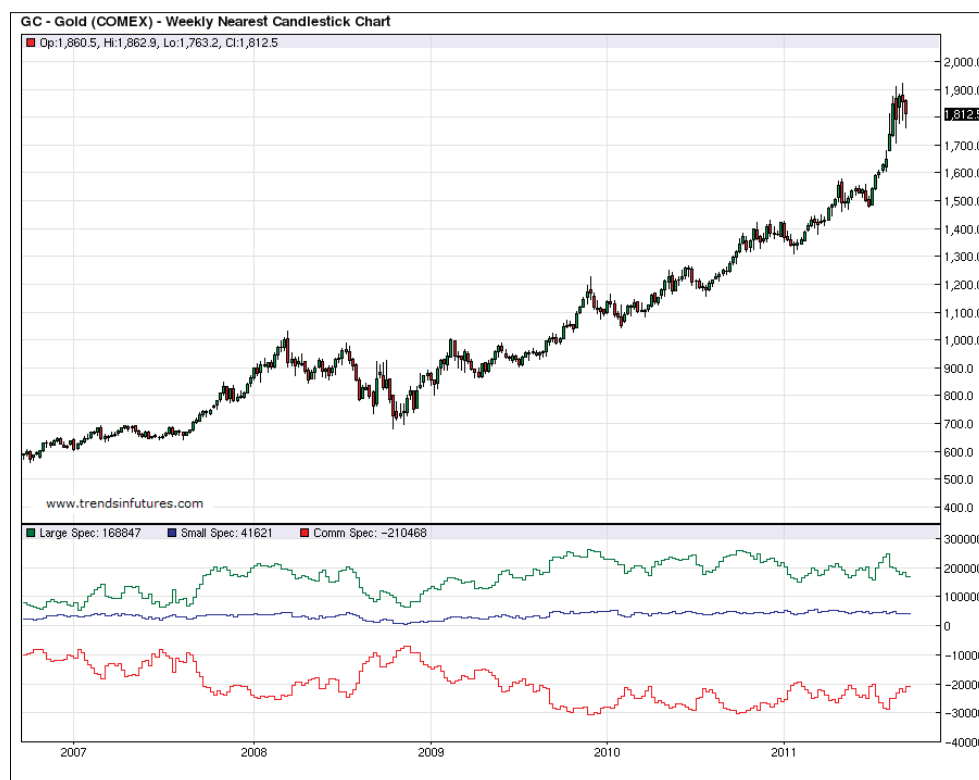
## First a Little History

The first Commitment of Traders (COT) report was published for 13 agricultural commodities as of June 30, 1962. At the time, this report was proclaimed as another step forward in the policy of providing the public with current and basic data on futures market operations. Those original reports were compiled on an end-of-month basis and were published on the 11<sup>th</sup> or 12<sup>th</sup> calendar day of the following month (think about technology back then).

The purpose of the COT was to differentiate between Commercial and Non-Commercial traders.

The COT gradually became known as a tool that commodity traders used in an attempt to see the “thinking” of the large speculators and the commercials. It was a given that the commercials and large speculators enjoy an enormous advantage and are more knowledgeable about the markets than the “small speculator” (my group). The COT levels the playing field by exposing the players behind the trades. Trading without reference to it would be like buying a used car at night in the dark.

Commercials (aka hedgers) are companies or traders that deal with actual commodities as part of doing business. Commercials are exempt from position limits and post smaller margins than speculators. Large speculators are traders whose trading levels are high enough that they require reporting to the Commodity Futures Trading Commission (CFTC). Small speculators are the traders remaining after the commercials and large speculators have been subtracted from the total open interests. The CFTC releases the COT report once per week, each Friday. It summarizes changes in futures positions in all major commodities by all major players. While tremendously useful, the COT seems by most to be so complex. Because of this belief, not many retail traders, novice or experienced use this vital information. If you look at open interest, not knowing who the players are could cost you. The following pages of this book will help you understand the COT and show you exactly how to utilize this information in your trading and help you catch the big market moves we are all searching for. It is more of a compass, showing a direction of the markets pushed along by increased buying and selling, than a timing tool.



*Though there are no hard and fast rules about the success of each group, Small Speculators are often looked at as the example of what **NOT** to do in futures trading.*



# The Commitments of Traders Report

## WHY IT IS IMPORTANT?

Rising open interest tells us new buyers are entering a market, and for every new buyer, there must be a new seller for open interest to increase. If you take anything away from this book realize “who are the traders selling in an up-trending market”?

There is a tool that can help you see exactly how all major trends start in any market-increased buying and selling buy big money: it is called the Commitment of Traders report (COT). Every Friday the Commodity Futures Trading Commission (CFTC) releases the COT. The first report separated Commercials, Large Speculators, and Small Speculators (my category). You cannot make an intelligent analysis of open interest without analyzing the COT. This report is essential, without it you have no idea how “big money” is posturing in a market. (For the best views and analysis of the COT report visit [www.TrendsInFutures.com](http://www.TrendsInFutures.com))

As large cash merchants in the business, commercials maintain their own intelligence-gathering networks and analysis. In fact, in some markets-such as softs, grains, and meats commercial trade houses are the primary source of fundamental supply and demand statistics available to the trading public. Assuming these numbers are accurately reported, you can be sure they already have been acted on in the market before the data is released to the public. The COT report detects these actual market manipulations. Besides a decided informational advantage, large commercials by definition trade in sizes large enough to move markets. Given these advantages, their futures trading prowess is not surprising.

## SO HOW DO YOU USE THIS?

Although each COT report contains many statistics of primary concern to futures and options traders are the actual positions and the changes from the prior report. Some try to work directly from the raw numbers, but the data are most easily analyzed when graphed as net positions opposite a weekly price chart. (The best place to view this is on the weekly charts at Trends in Futures.) To derive the net positions for each trade category, simply subtract the short contracts from the long. A positive result indicates a net long position (more long than short contracts), and a negative difference indicates a net short position (more shorts than longs).

Whether a particular trader group is net long or short is not important to the analysis-net positions relative to historical levels are. Therefore, a simple net position is meaningless; it is imperative to compare the current net position with the recent historical levels in the respective market. The relative bullishness/bearishness of the commercial net position is easier to see when you can view the current net position with both the highest net commercial position and the lowest net commercial position over a selected period of time. *See the Commercial Tracker under Resources at Trends in Futures for the quickest view covering all of the markets for the past 52-weeks.*

# Commercial Tracker

## Commercial Net Positions-Legacy Report

<div>12-mo hi</div> <div>12-mo low</div> <div>Net - to +</div> <div>since 3-Sep</div>											
Commodity	12-mo low	12-mo hi	26-Aug	19-Aug	12-Aug	5-Aug	29-Jul	22-Jul	15-Jul	8-Jul	1-Jul
1 Cattle (feed)	-1,290	7,100	2,800	2,595	2,786	2,235	2,434	2,451	2,915	3,169	4,562
2 Cattle (live)	-73,179	10,437	-2,628	-11,544	-351	149	-4,413	-10,621	-5,712	7,666	10,437
3 Hogs	-35,979	21,270	-12,416	-15,612	-16,414	-17,565	-13,774	-8,140	-3,182	7,002	7,670
5 Corn	-413,915	-215,125	-280,794	-286,967	-269,898	-261,477	-241,488	-244,920	-221,479	-215,125	-259,398
6 Oats	-7,738	-2,977	-3,439	-3,308	-3,315	-3,762	-3,735	-3,693	-3,314	-3,710	-4,254
7 Soybeans	-203,260	-47,513	-134,196	-86,005	-69,597	-103,106	-120,304	-117,491	-69,619	-47,513	-48,480
8 Soybean meal	-90,487	-12,672	-51,010	-30,643	-33,913	-44,525	-50,205	-39,885	-19,331	-12,672	-16,395
9 Soybean oil	-117,444	4,362	-11,160	-170	4,362	-32,145	-30,257	-41,905	-29,979	-13,670	-21,599
10 Wheat	-32,577	65,226	51,159	54,406	63,477	65,226	58,878	48,476	52,730	55,729	46,115
11 Orange juice	-22,341	-6,588	-11,774	-11,086	-14,871	-22,341	-21,459	-20,878	-20,670	-20,807	-20,631
12 Coffee	-45,699	-6,067	-13,956	-7,926	-6,805	-5,367	-7,217	-10,251	-12,352	-11,276	-8,333
13 Cocoa	-41,808	8,586	-10,910	-4,248	-9,641	-13,012	-19,554	-23,455	-23,290	-20,928	-14,794
14 Sugar	-221,694	-104,595	-176,262	-159,137	-168,729	-186,625	-193,815	-184,127	-182,444	-169,633	-161,193
15 Cotton	-69,857	-26,984	-36,650	-31,595	-32,468	-33,604	-35,642	-31,975	-28,125	-27,823	-28,032
16 British pound	-66,435	35,737	-24,034	-5,550	-6,343	-10,464	-5,034	11,963	35,737	33,816	21,696
17 Canada dollar	-115,190	-13,109	-25,868	-21,404	-44,133	-70,299	-65,886	-56,684	-46,621	-38,116	-18,130
18 Euro FX	-124,855	50,392	-6,090	-7,908	4,967	-6,099	-25,744	-6,486	-15,702	-56,631	-43,346
19 Japanese yen	-64,864	76,983	-48,704	-53,967	-49,902	-64,864	-54,548	-46,962	-27,879	-6,358	-3,573
20 Swiss franc	-42,387	-11,573	-17,594	-16,906	-11,573	-19,431	-21,607	-24,831	-21,944	-18,077	-23,279
21 US dollar index	-18,038	14,003	2,454	528	-2,759	-3,096	-4,738	-13,160	-13,166	-11,380	-17,535
22 Mexican Peso	-140,414	-14,488	-20,595	-21,864	-42,271	-93,802	-98,064	-95,092	-104,826	-89,047	-50,195
23 Australian dollar	-110,025	-27,744	-43,760	-27,744	-35,947	-95,650	-101,746	-96,561	-85,990	-83,347	-55,863
24 S&P 500	-88,893	43,830	43,833	20,497	-14,480	-32,118	-48,050	-38,329	-30,859	-28,357	-29,292
25 T-note -10 yr	-74,761	229,611	60,360	42,310	37,321	89,201	58,975	68,116	86,353	136,917	120,672
26 T-bond -30 yr	-43,324	88,803	27,621	14,160	49,460	37,429	40,433	50,029	86,206	77,935	49,545
27 Eurodollar	-1,179,414	329,586	329,586	166,759	-230,579	-119,996	-47,689	8,329	-37,214	-191,767	-225,214
28 Crude oil	-319,669	-25,439	-150,456	-141,685	-165,473	-181,231	-191,553	-185,103	-171,813	-156,799	-156,419
29 Heating oil	-66,097	6,558	-15,712	-19,752	-7,401	-45,646	-48,573	-45,174	-40,748	-29,471	-27,916
30 RBOB Gasoline	-85,987	-10,453	-47,218	-47,872	-54,158	-73,551	-79,234	-77,336	-72,976	-66,725	-56,344
31 Natural gas	108,160	228,910	158,569	162,126	161,109	149,673	134,586	137,173	154,126	141,729	142,635
32 Copper	-36,201	1,300	-1,302	-890	-9,535	-26,219	-27,302	-27,815	-25,564	-18,589	-5,788
33 Gold	-302,740	-193,197	-230,436	-248,847	-249,206	-287,634	-282,973	-263,814	-244,249	-202,002	-208,755
34 Platinum	-34,909	-18,193	-34,169	-28,039	-22,287	-27,039	-25,092	-22,239	-18,827	-18,830	-18,670
35 Silver	-65,413	-29,166	-47,099	-40,681	-35,341	-44,588	-42,773	-39,513	-37,490	-33,451	-29,166

To learn how to fully use the COT visit [www.trendsinfutures.com](http://www.trendsinfutures.com)

# THE “NEW” REPORT

The Commodity Futures Trading Commission (CFTC) began publishing a Disaggregated Commitments of Traders (Disaggregated COT) report on September 4, 2009. The first iteration of the report covered 22 major physical commodity markets; on December 4, 2009, the remaining physical commodity markets were included.

The Disaggregated COT report increases transparency from the legacy COT reports by separating traders into the following four categories of traders: Producer/Merchant/Processor/User; Swap Dealers; Managed Money; and Other Reportables. The legacy COT report separates reportable traders only into “commercial” and “non-commercial” categories.

All of the COT reports provide a breakdown of each Tuesday’s open interest for markets in which 20 or more traders hold positions equal to or above the reporting levels established by the CFTC. The reports are published in futures-only formats as well as futures-and-options combined formats. The data are available in both a short format and a long format.<sup>2</sup>

The Disaggregated COT report is being published side-by-side with the legacy COT formats. The Commission is soliciting comment on the new report and will review whether to continue to publish both side-by-side or to replace the legacy report with the new report.

This initiative for providing market transparency arises from the recommendation to disaggregate the existing “commercial” category in the Commission’s September 2008 Staff Report on Commodity Swap Dealers & Index Traders.<sup>3</sup> Specifically, that report recommended:

Remove Swap Dealer from Commercial Category and Create New Swap Dealer Classification for Reporting Purposes: In order to provide for increased transparency of the exchange traded futures and options markets, the Commission has instructed the staff to develop a proposal to enhance and improve the CFTC’s weekly Commitments of Traders Report by including more delineated trader classification categories beyond commercial and non-commercial, which may include at a minimum the addition of a separate category identifying the trading of swap dealers.

## The new categories are as follows:

### **Producer/Merchant/Processor/User**

A “producer/merchant/processor/user” is an entity that predominantly engages in the production, processing, packing or handling of a physical commodity and uses the futures markets to manage or hedge risks associated with those activities.

### **Swap Dealer**

A “swap dealer” is an entity that deals primarily in swaps for a commodity and uses the futures markets to manage or hedge the risk associated with those swaps transactions. The swap dealer’s counterparties may be speculative traders, like hedge funds, or traditional commercial clients that are managing risk arising from their dealings in the physical commodity. (See next chapter on Swap Dealers)

### **Money Manager**

A “money manager,” for the purpose of this report, is a registered commodity trading advisor (CTA); a registered commodity pool operator (CPO); or an unregistered fund identified by CFTC.<sup>7</sup> These traders are engaged in managing and conducting organized futures trading on behalf of clients.

### **Other Reportables**

Every other reportable trader that is not placed into one of the other three categories is placed into the “other reportables” category.

*To get immediate access and see how I analyze the COT every day on the trades recommended at Trends in Futures take the 30-day trial.*



# SWAPS DEALERS

Unlike most standardized futures contracts, swaps are not exchange traded instruments. Instead, swaps are customized contracts that are traded in the over-the-counter (OTC) market between private parties. Firms and financial institutions dominate the swaps market, with (if any) individuals ever participating.

In 1987, the International Swaps and Derivatives Association (ISDA) reported that the swaps market had a total notional value of \$865.5 billion. By mid-2006, this figure was just over \$250 trillion, according to the Bank for International Settlements (BIS). Back then that was more than 15-times the size of the US public equities market. As of the second half of 2010 reported by BIS the total notional value is over \$601 trillion. *See table on below.*

Global OTC derivatives market <sup>1</sup>								
Amounts outstanding, in billions of US dollars								
	Notional amounts outstanding				Gross market value			
	H1 2009	H2 2009	H1 2010	H2 2010	H1 2009	H2 2009	H1 2010	H2 2010
<b>GRAND TOTAL</b>	<b>594,553</b>	<b>603,900</b>	<b>582,655</b>	<b>601,048</b>	<b>25,298</b>	<b>21,542</b>	<b>24,673</b>	<b>21,148</b>
<b>A. Foreign exchange contracts</b>	<b>48,732</b>	<b>49,181</b>	<b>53,125</b>	<b>57,798</b>	<b>2,470</b>	<b>2,070</b>	<b>2,524</b>	<b>2,482</b>
Outright forwards and forex swaps	23,105	23,129	25,625	28,434	870	683	925	886
Currency swaps	15,072	16,509	16,347	19,271	1,211	1,043	1,187	1,235
Options	10,555	9,543	11,153	10,092	389	344	411	362
<i>Memo: Exchange-traded contracts<sup>2</sup></i>	225	292	347	314	...	...	...	...
<b>B. Interest rate contracts<sup>3</sup></b>	<b>437,228</b>	<b>449,875</b>	<b>451,831</b>	<b>465,260</b>	<b>15,478</b>	<b>14,020</b>	<b>17,533</b>	<b>14,608</b>
FRAs	46,812	51,779	56,242	51,587	130	80	81	206
Swaps	341,903	349,288	347,508	364,378	13,934	12,576	15,951	13,001
Options	48,513	48,808	48,081	49,295	1,414	1,364	1,501	1,401
<i>Memo: Exchange-traded contracts<sup>2</sup></i>	57,733	67,056	69,551	61,943	...	...	...	...
<b>C. Equity-linked contracts</b>	<b>6,584</b>	<b>5,937</b>	<b>6,260</b>	<b>5,635</b>	<b>879</b>	<b>708</b>	<b>706</b>	<b>648</b>
Forwards and swaps	1,678	1,652	1,754	1,828	225	176	189	167
Options	4,906	4,285	4,506	3,807	654	532	518	480
<i>Memo: Exchange-traded contracts<sup>2</sup></i>	5,299	5,769	5,520	5,689	...	...	...	...
<b>D. Commodity contracts<sup>4</sup></b>	<b>3,619</b>	<b>2,944</b>	<b>2,852</b>	<b>2,922</b>	<b>682</b>	<b>545</b>	<b>457</b>	<b>526</b>
Gold	425	423	417	396	43	48	44	47
Other	3,194	2,521	2,434	2,525	638	497	413	479
Forwards and swaps	1,715	1,675	1,551	1,781	...	...	...	...
Options	1,479	846	883	744	...	...	...	...
<b>E. Credit default swaps<sup>5</sup></b>	<b>36,098</b>	<b>32,693</b>	<b>30,261</b>	<b>29,898</b>	<b>2,973</b>	<b>1,801</b>	<b>1,666</b>	<b>1,351</b>
Single-name instruments	24,165	21,917	18,494	18,145	1,950	1,243	993	884
Multi-name instruments	11,933	10,776	11,767	11,753	1,023	559	673	467
Index products	...	...	7,500	7,476	...	...	...	...
<b>F. Unallocated<sup>6</sup></b>	<b>62,291</b>	<b>63,270</b>	<b>38,327</b>	<b>39,536</b>	<b>2,816</b>	<b>2,398</b>	<b>1,788</b>	<b>1,532</b>
<b>GROSS CREDIT EXPOSURE<sup>7</sup></b>	<b>...</b>	<b>...</b>	<b>...</b>	<b>...</b>	<b>3,744</b>	<b>3,521</b>	<b>3,578</b>	<b>3,342</b>
<i>Memo: Exchange-traded contracts<sup>2,8</sup></i>	63,256	73,118	75,418	67,946	...	...	...	...

<sup>1</sup> All figures are adjusted for double-counting. Notional amounts outstanding have been adjusted by halving positions vis-à-vis other reporting dealers. Gross market values have been calculated as the sum of the total gross positive market value of contracts and the absolute value of the gross negative market value of contracts with non-reporting counterparties. <sup>2</sup> Sources: FOW TRADEdata; Futures Industry Association; various futures and options exchanges. <sup>3</sup> Single currency contracts only. <sup>4</sup> Adjustments for double-counting partly estimated. <sup>5</sup> See Tables 4 and 5. <sup>6</sup> Includes foreign exchange, interest rate, equity, commodity and credit derivatives of non-reporting institutions, based on the latest Triennial Central Bank Survey of Foreign Exchange and Derivatives Market Activity, in 2010. <sup>7</sup> Gross market values after taking into account legally enforceable bilateral netting agreements. Excludes CDS contracts for all countries except the United States. <sup>8</sup> Excludes commodity contracts.

Provided by the Bank for International Settlements [www.bis.org](http://www.bis.org).

Keep in mind the ISDA made numerous attempts to stop the Swap Dealers positions from being removed from the Commercial category. Luckily for the small retail speculator that did not work. Looking at the old report together with the new report you will see why this was so important. The charts on the following pages will give you the perfect pictures to see for yourself. The charts I am using can be found at **www.TrendsInFutures.com**. If you need any assistance in using this vital information please email me at Gary@TrendsInFutures.com.

So who are the Swap Dealers?

As of March 31, 2011 based on notional amounts of derivative contracts held for trading the following 5 financial institutions are the top swap dealers.

1. JPMorgan Chase
2. Citibank
3. Bank Of America
4. Goldman Sachs
5. HSBC Bank USA

No surprises here. *See the table below for confirmation.*

### Notional Amounts of Derivative Contracts Held for Trading

Top 5 Commercial Banks and Trust Companies in Derivatives

March 31, 2011, \$ Millions

RANK	BANK NAME	STATE	TOTAL ASSETS	TOTAL DERIVATIVES	TOTAL HELD FOR TRADING & MTM	% HELD FOR TRADING & MTM	TOTAL NOT FOR TRADING MTM	% NOT FOR TRADING MTM
1	JPMORGAN CHASE BANK NA	OH	\$1,723,460	\$73,612,081	\$73,461,171	99.8	\$150,910	0.2
2	CITIBANK NATIONAL ASSN	NV	1,161,359	51,413,659	51,147,495	99.5	266,164	0.5
3	BANK OF AMERICA NA	NC	1,451,387	47,507,565	45,233,032	95.2	2,274,534	4.8
4	GOLDMAN SACHS BANK USA	NY	84,199	44,387,627	44,381,495	100.0	6,132	0.0
5	HSBC BANK USA NATIONAL ASSN	VA	192,549	2,986,640	2,965,787	99.3	20,853	0.7
TOP 5 COMMERCIAL BANKS & TCs WITH DERIVATIVES			\$4,612,954	\$219,907,572	\$217,188,980	98.8	\$2,718,592	1.2
OTHER COMMERCIAL BANKS & TCs WITH DERIVATIVES			6,107,015	9,184,869	8,018,676	87.3	1,166,193	12.7
TOTAL AMOUNT FOR COMMERCIAL BANKS & TCs WITH DERIVATIVES			10,719,969	229,092,441	225,207,656	98.3	3,884,785	1.7
Note: Currently, the Call Report does not differentiate between traded and not-traded credit derivatives. Credit derivatives have been excluded from the sum of total derivatives here. Note: Numbers may not add due to rounding. Data source: Call Reports, schedule RC-L								

*Provided by the Comptroller of the Currency.*

## A PICTURE IS WORTH 1,000 WORDS

On the following pages you will find weekly charts with both the old legacy report and the new disaggregated report. You will see why I now use the new report over the old report.

You will find that the financial markets like the currencies and stock indices do not have a disaggregated report. On these charts you will only see the legacy report. You will find this is very helpful in watching big money move through the financial markets.



*The weekly COT figures are for October 14 2011 and October 21 2011.*

*Charts provided by [www.trendsinfutures.com](http://www.trendsinfutures.com).*

On the chart above you can see that the Commercials in the older 3-line legacy report have a net short position of -137,471 contracts. In fact, Producers (true commercials) have a net short position of -305,858 contracts, as seen on the disaggregated 4-line report. The difference being the Swap Dealers are net long 168,387 contracts. Look at the price action when Managed Money starts adding to net longs and Producers add to net shorts. If you look closely you can see that between January 2010 and June 2010 Swap Dealers had a net long position of 400,000 contracts. So what exactly are Swap Dealers doing with such a large net long position? Could it be speculation?

# LE - Live Cattle (CME) - Weekly Nearest Candlestick Chart



Looking at the Live Cattle chart above you can see that in the 3-line report Commercials are net short -30,487 contracts. In fact, Producers are net short -131,610 contracts and Swap Dealers are net long 101,123 contracts. Managed Money is net long 92,000 contracts. Look at the price action when Managed Money and Producers are moving away from each other. Make sure you look up the livestock ETF (ticker COW). Currently with approximately \$73 million in assets, you will never guess what those assets are comprised of? If you said futures contracts you are correct.





Looking at Crude above you see that Commercials are net short -120,565 contracts. Producers are net short -129,236 contracts, Swap Dealers are net long 8,671 contracts, and Managed Money is net long 147,448 contracts. Look at 2008 when Crude hit \$147, Swap Dealers were net long 39,000 contracts. Now look at September-November 2010. Swap Dealers dropped into net short territory. Hitting an all time low net short of over -82,000 contracts, you can see this is where Crude hit its high so far in 2011 at just over \$114. And what about the crude oil ETF USO? With assets at \$1.38 billion they are the largest energy ETF. Once again, exactly in defining these assets you will find that is \$1.38 billion in long only futures contracts rolled over each month. Could the small sum of \$1.38 billion affect crude? Maybe.

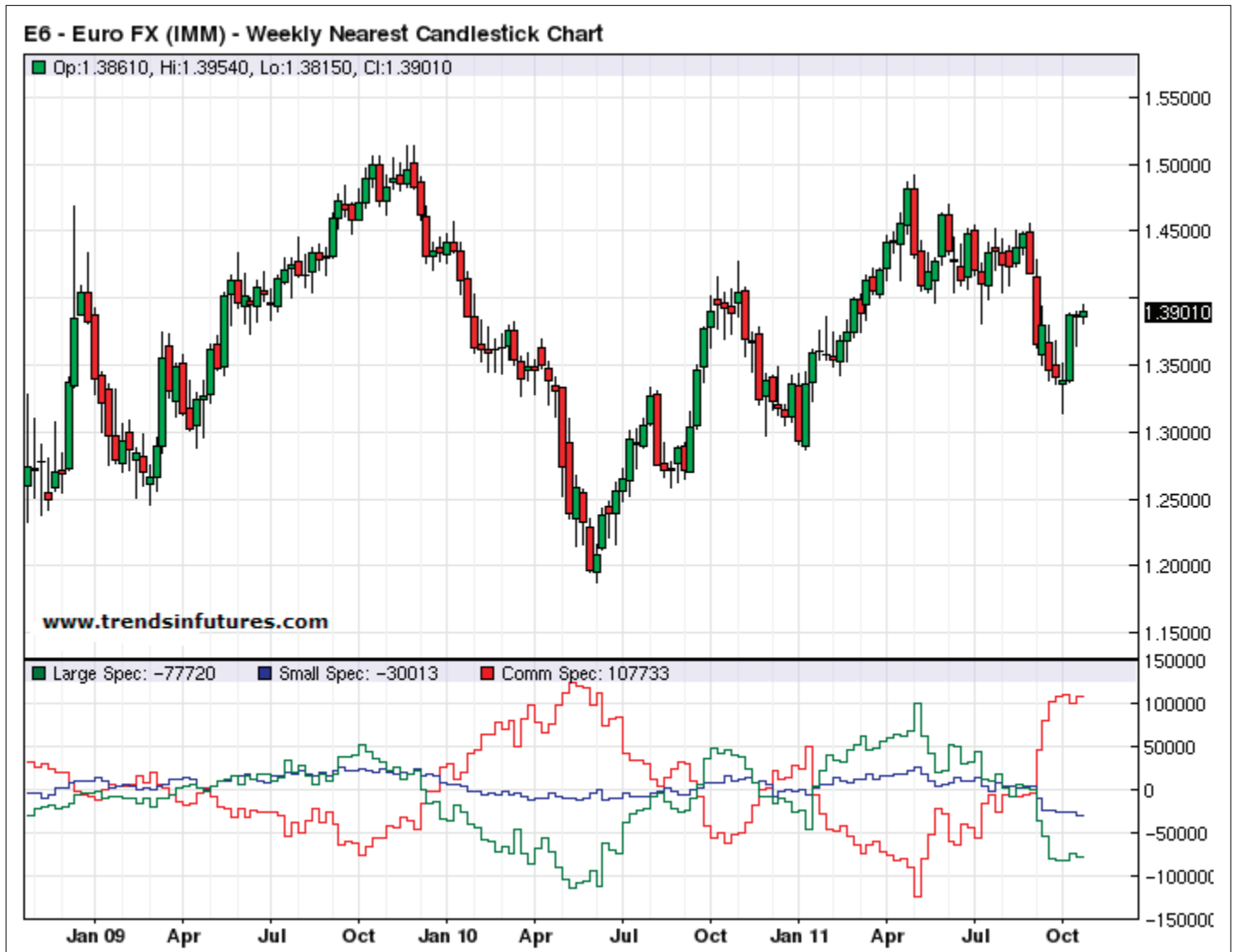


Yes, your morning cup of coffee is affected by big money. On the chart above you see Commercials net short -8,049 contracts. Looking down, you see Producers actually net short -29,402. The difference here is Swap Dealers are net long 21,353 contracts. Managed Money comes in at 7,350 contracts net long. See the major trend you would have caught knowing how big money was posturing? Any idea how much money you would have made from 160 to 260? And, just think how this could help you trade options!



So what about GOLD? Looking at the legacy report we see commercials net short -159,153 contracts. Looking on the disaggregated report that Producers are net short -167,884 contracts and Swap Dealers are net long 8,731 contracts. Managed money came in net long 117,899 contracts. One major point here is the green Swap Dealers line on the report: just a few months ago they had a net short position of nearly -100,000 contracts. In gold, just until last week, Swap Dealers were always net short. That means they posture as hedgers in gold not speculators. See how quickly week after week they dropped net shorts and Managed Money dropped net longs. And, look what happened to the price of gold. What happens when Swap Dealers start adding to their net shorts again?

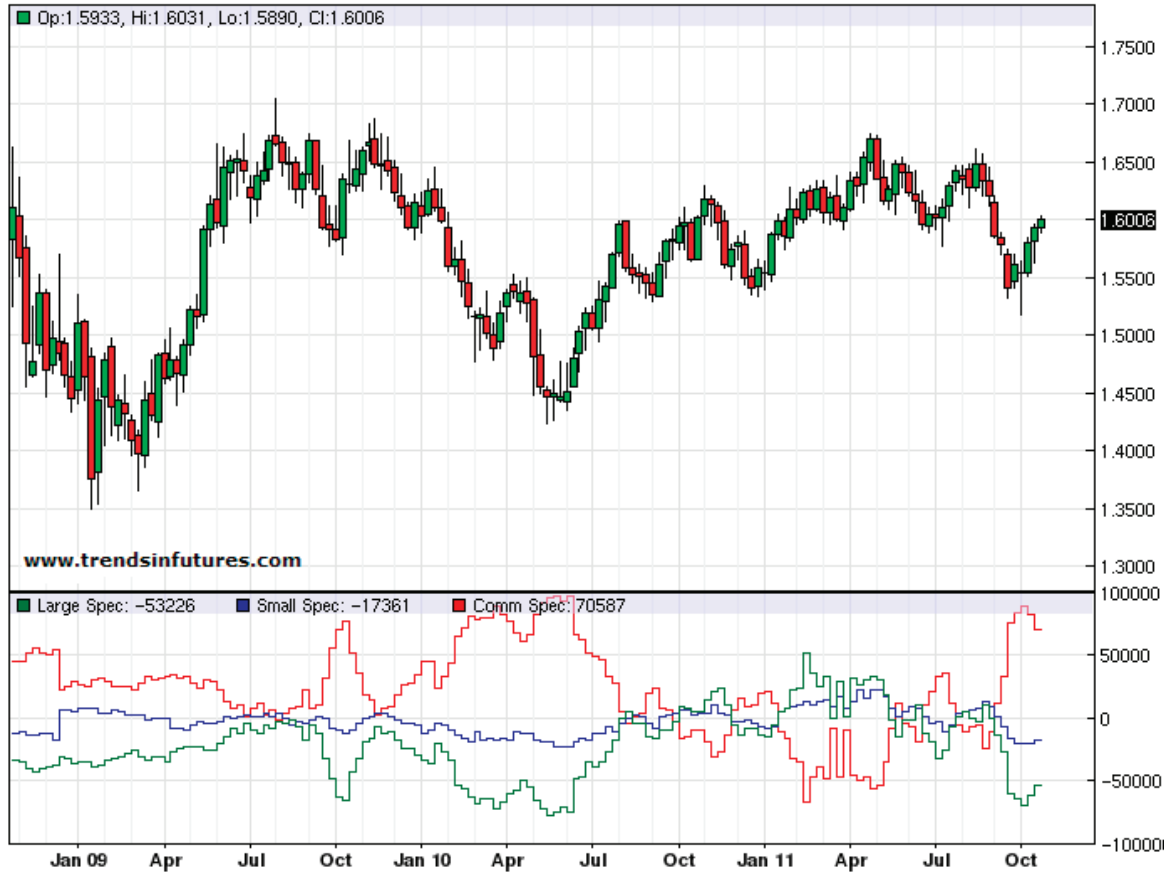
## Currency and Forex



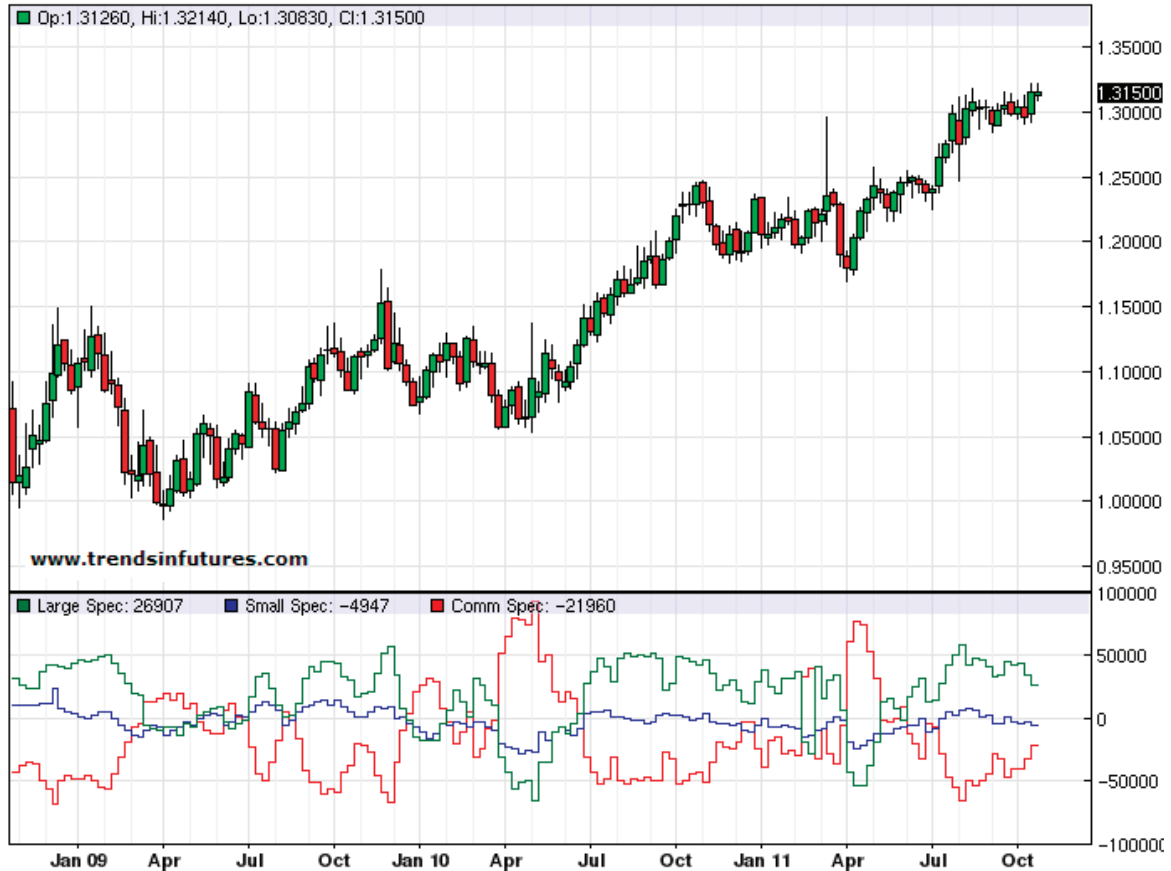
Yes, you can even use the COT to trade either Currency Futures or even Forex. Now, here we are looking at only the older legacy report; it does tell a nice story about big money moving through the Euro. Look at what has happened most recently with commercials on the chart as well as large spec. As commercials liquidate net short and add to net longs see what happens to the price of the Euro: the price moved down from 1.45000. Even better, look at when the Euro was trading at 1.20000 and see the movement of the commercials and large spec that preceded this low in 2010. Knowing this information will definitely prepare you to trade any Forex pair related to the Euro. Of course, if you trade Currency futures you better have a read on big money movement: it really does affect price action. See what the COT is telling you on the following currency charts. BP-YEN-SF-USD.



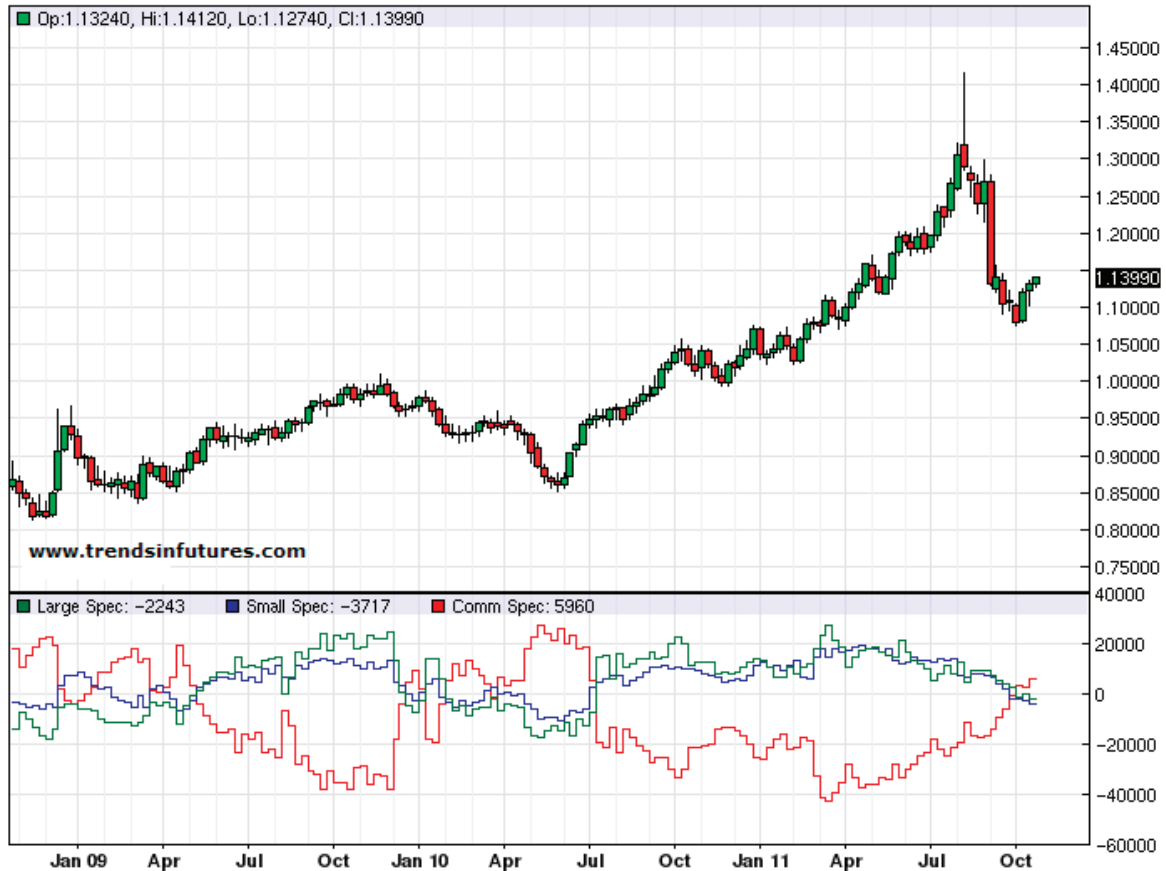
### B6 - British Pound (IMM) - Weekly Nearest Candlestick Chart



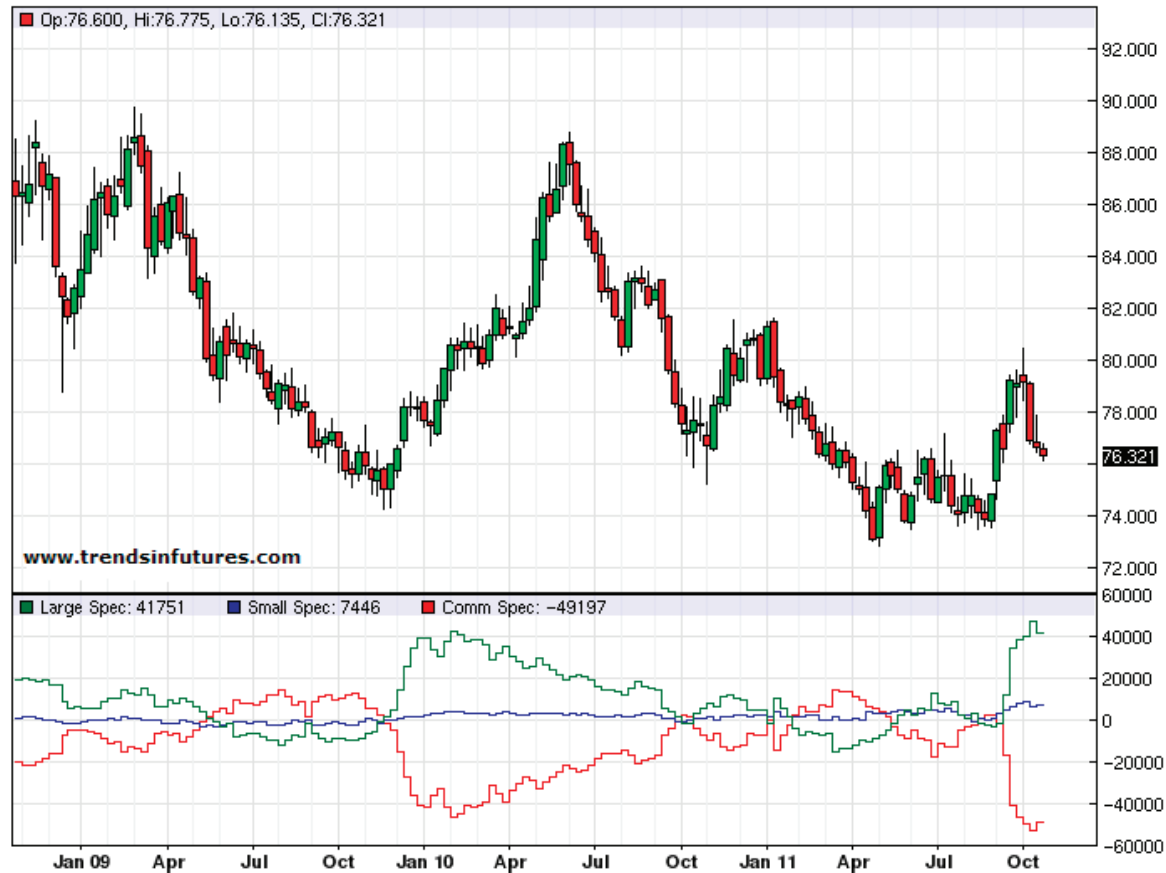
### J6 - Japanese Yen (IMM) - Weekly Nearest Candlestick Chart



**S6 - Swiss Franc (IMM) - Weekly Nearest Candlestick Chart**



**DX - U.S. Dollar Index (ICEFI) - Weekly Nearest Candlestick Chart**



## Now You Know

So, now you see that in the past decade more money has come to the futures industry than in the first 100 years. We can go back even further to when the Chicago Board of Trade came into existence in 1846-47.

The CFTC did the small retail trader a favor by creating the COT Disaggregated Report. Now more transparent, the report can give you the insight on how the “biggest money” is posturing in any market.

If you have been told that the COT is really complicated to understand and you need a special COT index to decipher the information, someone is trying to sell you something because that can't be further from the truth. All you need is the proper views and understanding which you can acquire very quickly by using Trends in Futures. The COT is not a timing tool and should not be used as such. When used in conjunction with all of the other tools that Trends in Futures provides you will finally realize what lies beneath all major trends, up or down.

If you want to learn how to use this vital information and improve your trading visit Trends in Futures and take a 30-day trial. On charts each day I incorporate the new COT report on all of our new trade recommendations in easy to understand videos. *Soon there will be an added report called Big Money Monthly. That will help you even more make the most out of knowing what the big boys are up to.*

# ELEPHANTS

In closing, let me add that if you are trading futures, forex, or options and are not using the new COT report you are missing the big picture. You are not seeing what is up ahead because you are not seeing big money movement. It would be like standing in a room with three large adult wild elephants blindfolded. Not seeing their movement, I am guessing it would not feel too good. Same goes for your trading and the new COT.



Thanks for taking the time in reading how this powerful information can help you. I am always an email or telephone call away to help you better understand anything you have read in this book, or if you need any assistance in your trading.

Until next time. Be well, trade well, and follow the trends.

All the best,

**Gary Kamen**

Gary@TrendsInFutures.com