



Trading With The BIG Money

The COT Report



Brief Intro To The Futures Market

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A market in which participants buy and sell commodity/future contracts for delivery on a specified future date

The underlying assets can be physical commodities, currencies, securities or intangible financial instruments

Trading is conducted through open outcry in the pits or electronically



Futures Market Participants

Futures Market Participants

Commercials

Non-Commercials

Small Speculators

~~**Spread Traders**~~



The Commercials

The Commercials

a.k.a. Hedgers

Use futures and options to hedge price risk associated with their business

Not in the Futures Market to speculate

In the physical commodity markets, they are the Producers or Consumers

Tend to move in the opposite direction to the market

Control up to 80% of market liquidity

Most bullish at market bottoms and most bearish at tops



The Non-Commercials

The Non-Commercials

a.k.a. Large Speculators

Professional traders exceeding the CTFC reporting limits

Hedge Funds; Commodity Funds; Pension Funds

Typically trend followers

Often on the wrong side of the market at tops and bottoms



The Non-Reportables

Non-Reportables

a.k.a. Small Speculators, Dumb Money

Market participants that do not exceed the CFTC reportable limit

Usually on the wrong side of the market at tops and bottoms



What Is The COT Report?

What Is The COT Report

The Commitment Of Traders Report is published every Friday at 15.30 EST by the Commodity Futures Trading Commission (CFTC)

It can be downloaded free of charge at www.cftc.gov

The CFTC collects volume and open interest information from the largest players in each commodity market

First published in 1924

Currency Futures traded since 1972

Published weekly since 2000

Data represents the open interest as of the previous Tuesday market close



Trading The Euro With The COT Report

What Is The COT Report

EURO FX - CHICAGO MERCANTILE EXCHANGE
 FUTURES ONLY POSITIONS AS OF 10/22/13

Code-099741

								NONREPORTABLE POSITIONS	
NON-COMMERCIAL			COMMERCIAL		TOTAL				
LONG	SHORT	SPREADS	LONG	SHORT	LONG	SHORT	LONG	SHORT	
(CONTRACTS OF EUR 125,000)						OPEN INTEREST:		278,139	
COMMITMENTS									
137,061	+	5,763	+	82,406	=	225,230	223,396	52,909	54,743
CHANGES FROM 10/15/13 (CHANGE IN OPEN INTEREST:						20,940)			
15,734	3,674	-279	-2,071	14,171	13,384	17,566	7,556	3,374	
PERCENT OF OPEN INTEREST FOR EACH CATEGORY OF TRADERS									
49.3	23.2	2.1	29.6	55.0	81.0	80.3	19.0	19.7	
NUMBER OF TRADERS IN EACH CATEGORY (TOTAL TRADERS:						196)			
60	56	18	48	52	121	113			

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Speculators are net long

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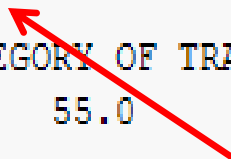
Speculators are net long Commercials are net short

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Commercial are more net short than the previous week

Speculators are net long

Commercial are net short

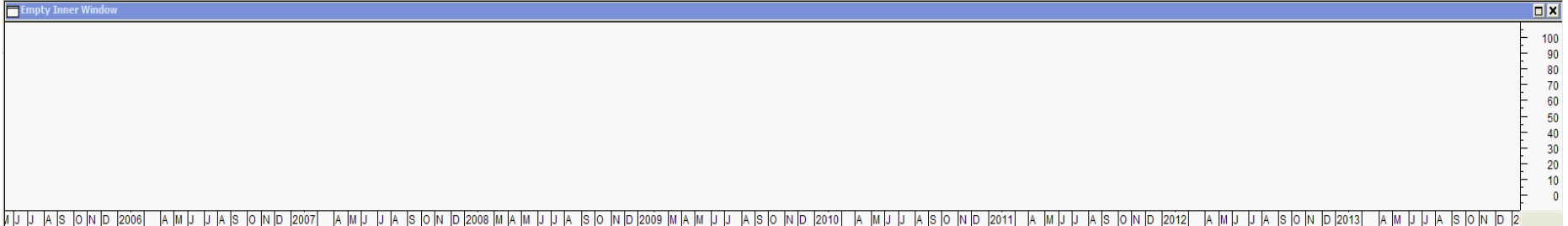
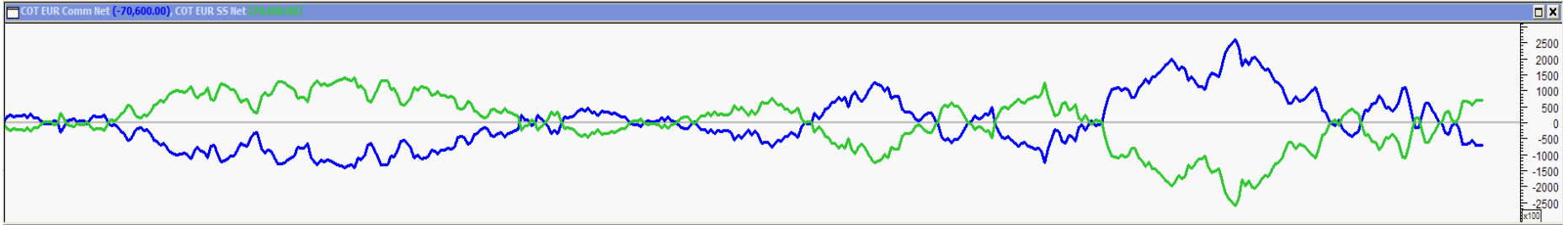
EUR Spliced Futures Weekly



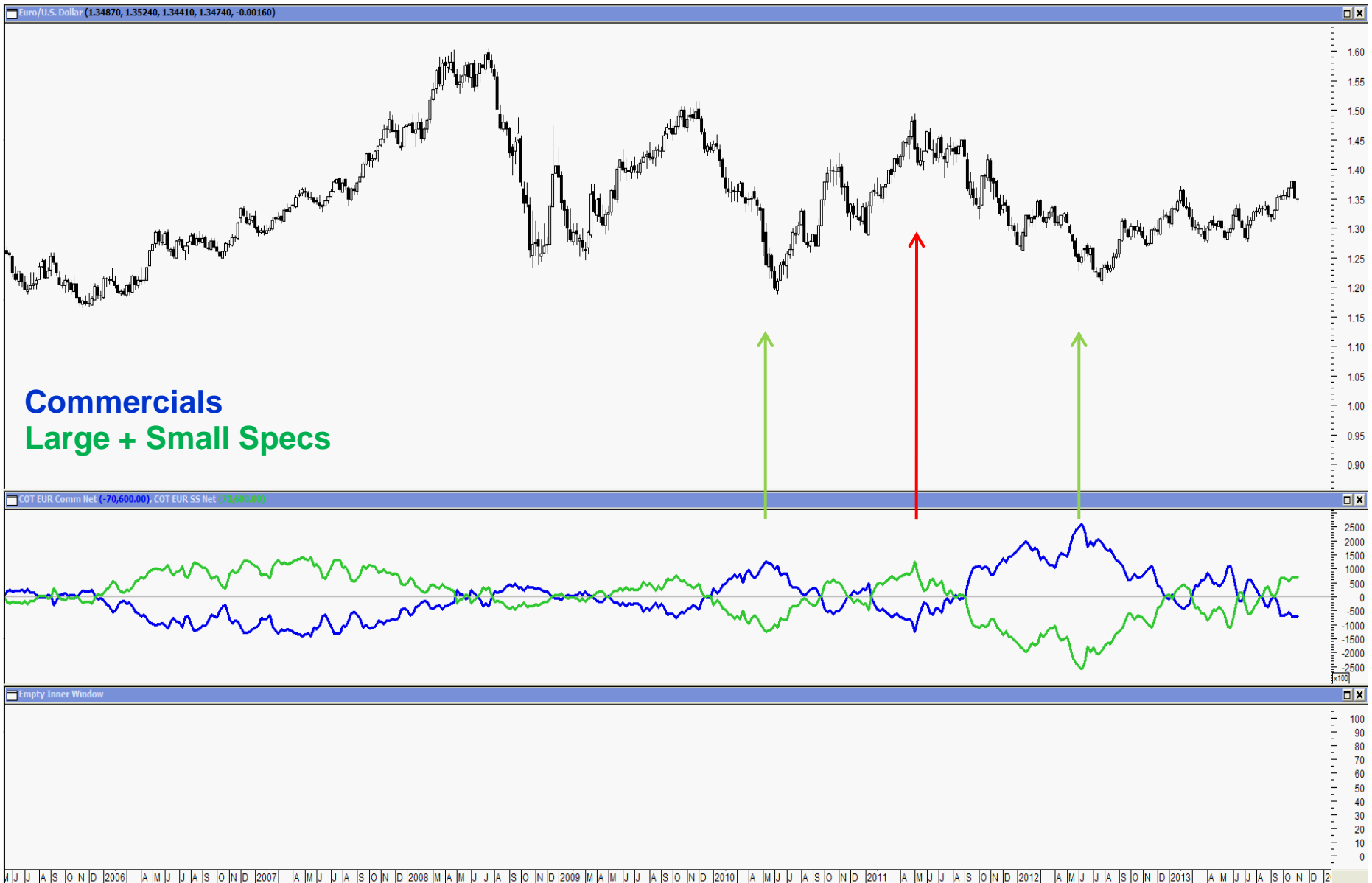
Chart courtesy of timingcharts.com

INVESTMENT CLUBS DAY 2013

EURUSD Spot Weekly



EURUSD Spot Weekly



The COT Oscillator

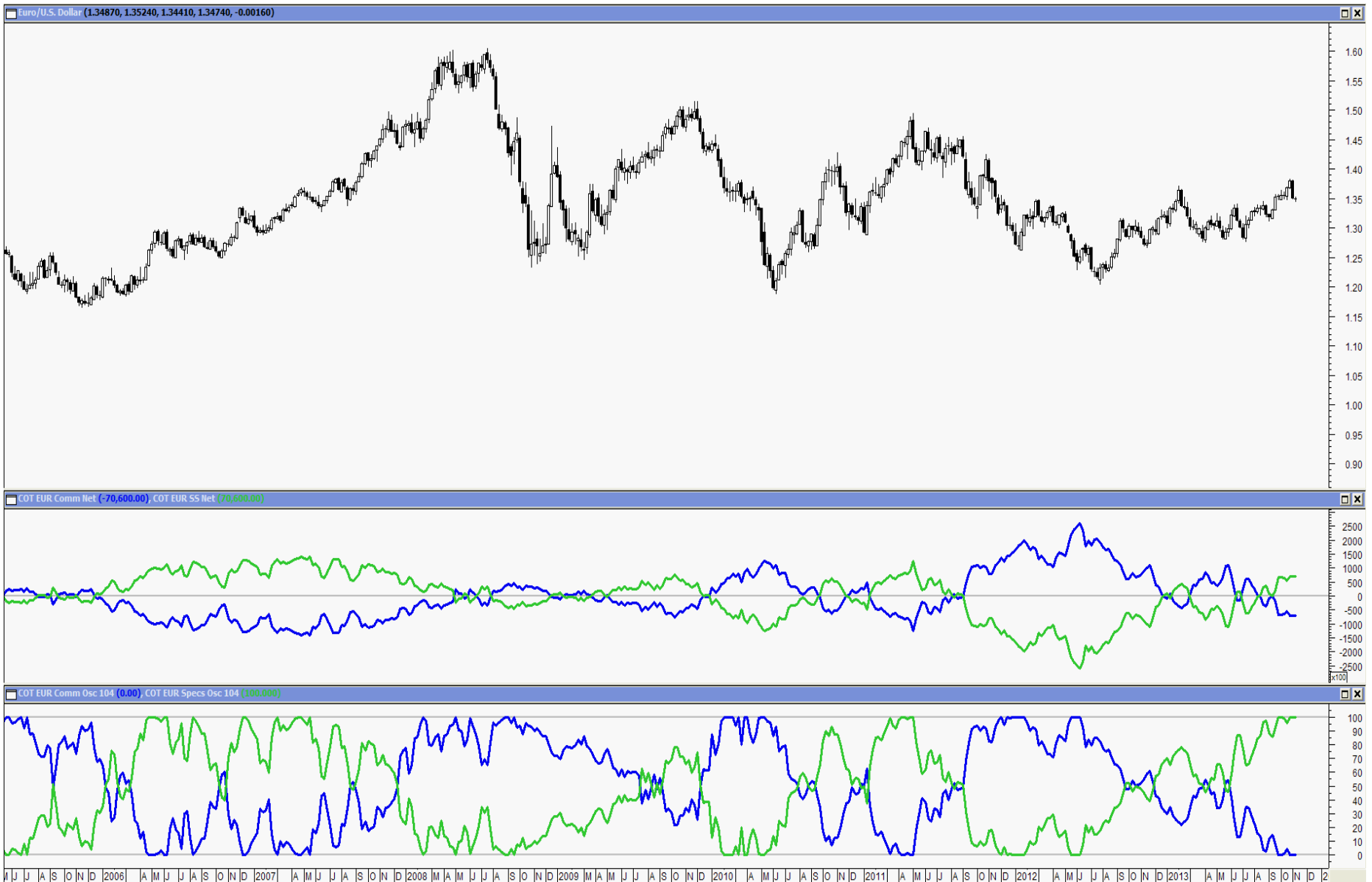
Formula

$$\frac{(\text{Last Close} - \text{Lowest Low Over } 104 \text{ Periods})}{(\text{Highest High Over } 104 \text{ Periods} - \text{Lowest Low Over } 104 \text{ Periods})} \times 100$$

Interpretation

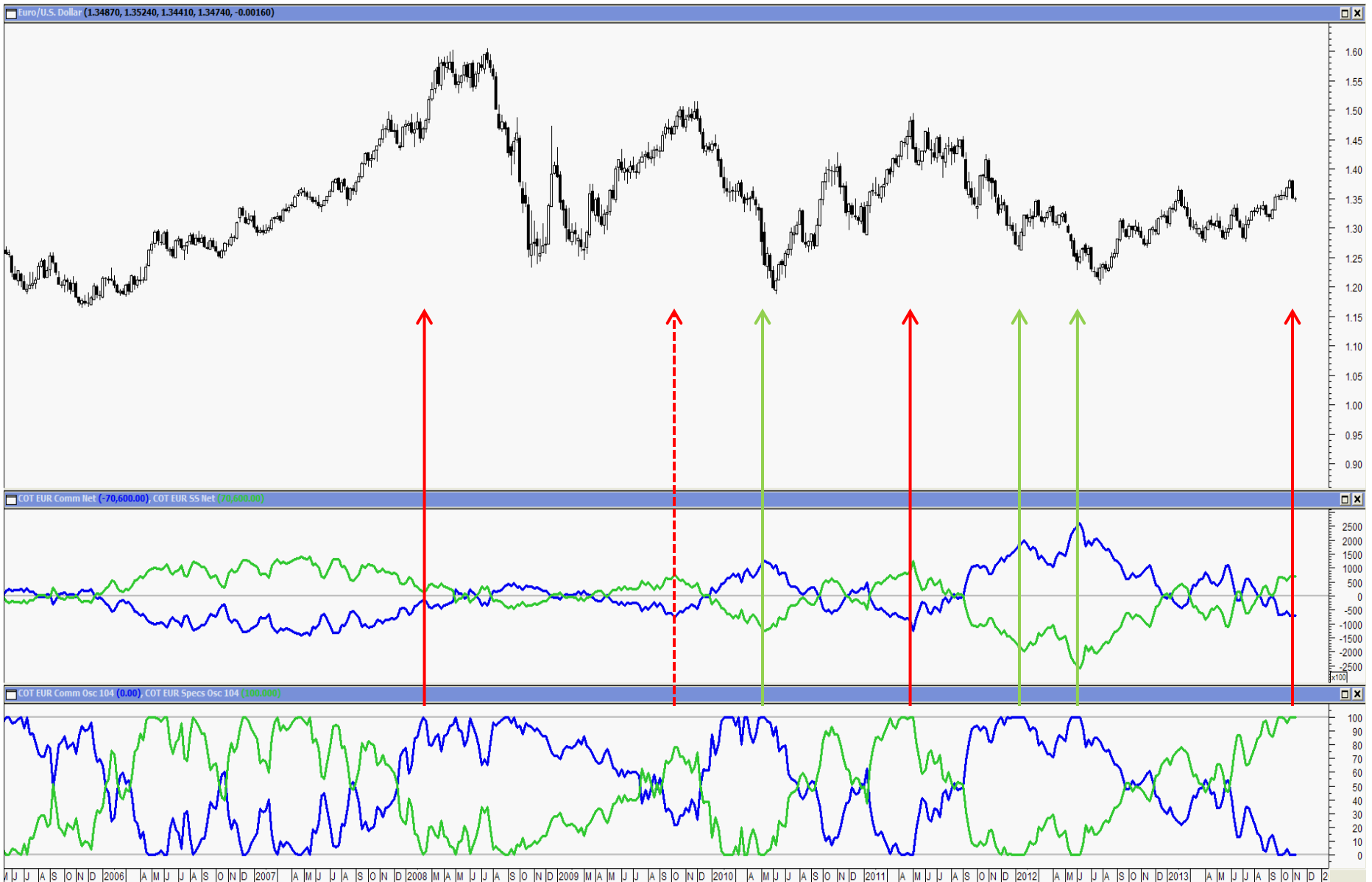
- 100** Close is equal to the highest high over the previous two years
- 50** Close is halfway between the highest high and the lowest low over the previous two years
- 0** Close is equal to the lowest low over the previous two years

EURUSD Spot Weekly



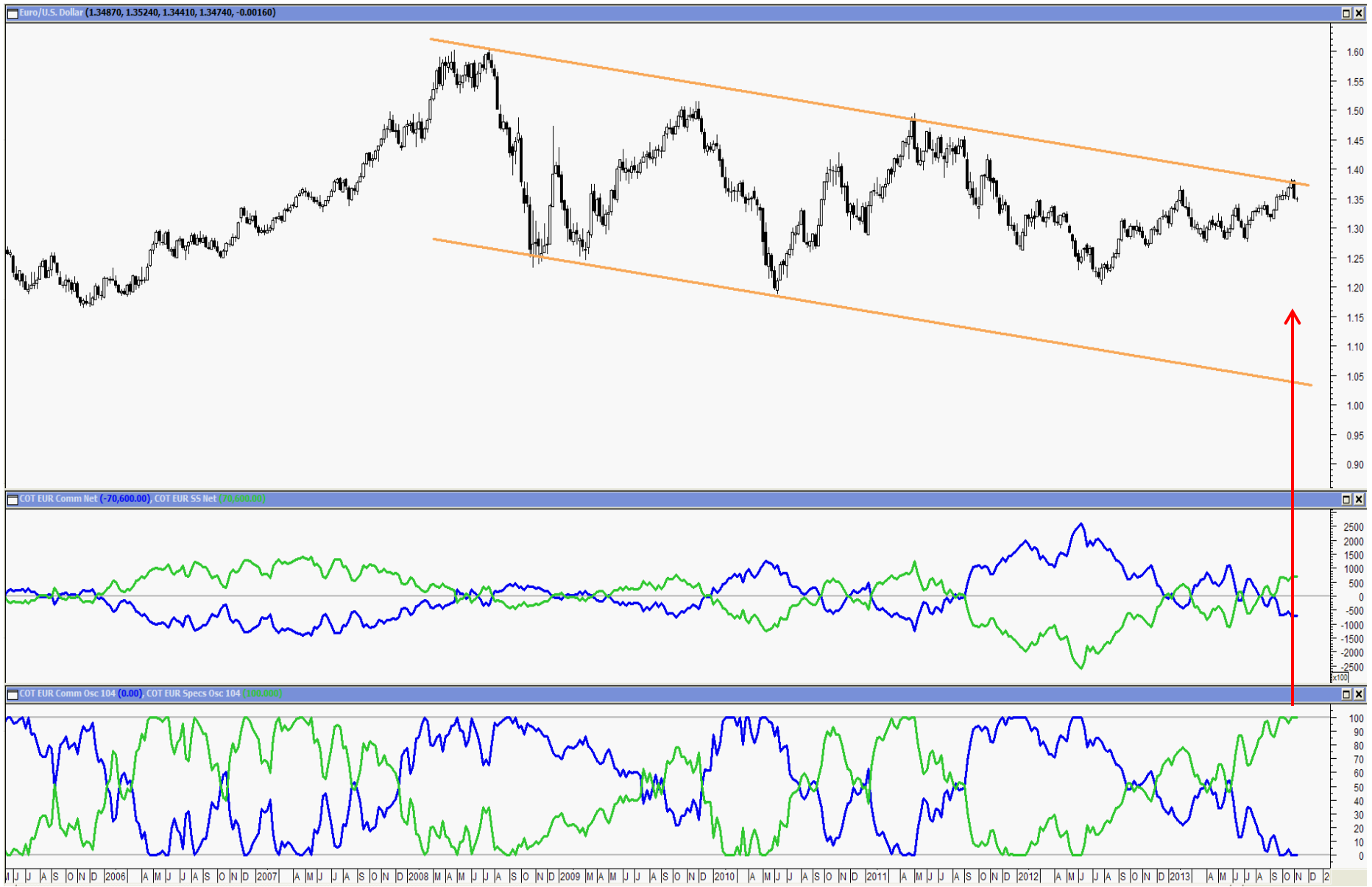
INVESTMENT CLUBS DAY 2013

EURUSD Spot Weekly



INVESTMENT CLUBS DAY 2013

EURUSD Spot Weekly



INVESTMENT CLUBS DAY 2013

In Conclusion

The Futures Market leads the Cash Market

Unlike Spot FX, transaction volume information is provided by the Futures

At tops and bottoms, the Commercials are sometimes early but never late

Once the trend has changed, follow the Specs

Look for divergence at price extremes

The COT Report is NOT a timing tool:

use other techniques to enter and exit trades

Resources

Websites:

<http://www.cftc.gov>

<http://www.timingcharts.com>

Further Reading:

Larry Williams:

Trade Stocks And Commodities With The Insiders:
Secrets Of The COT Report

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