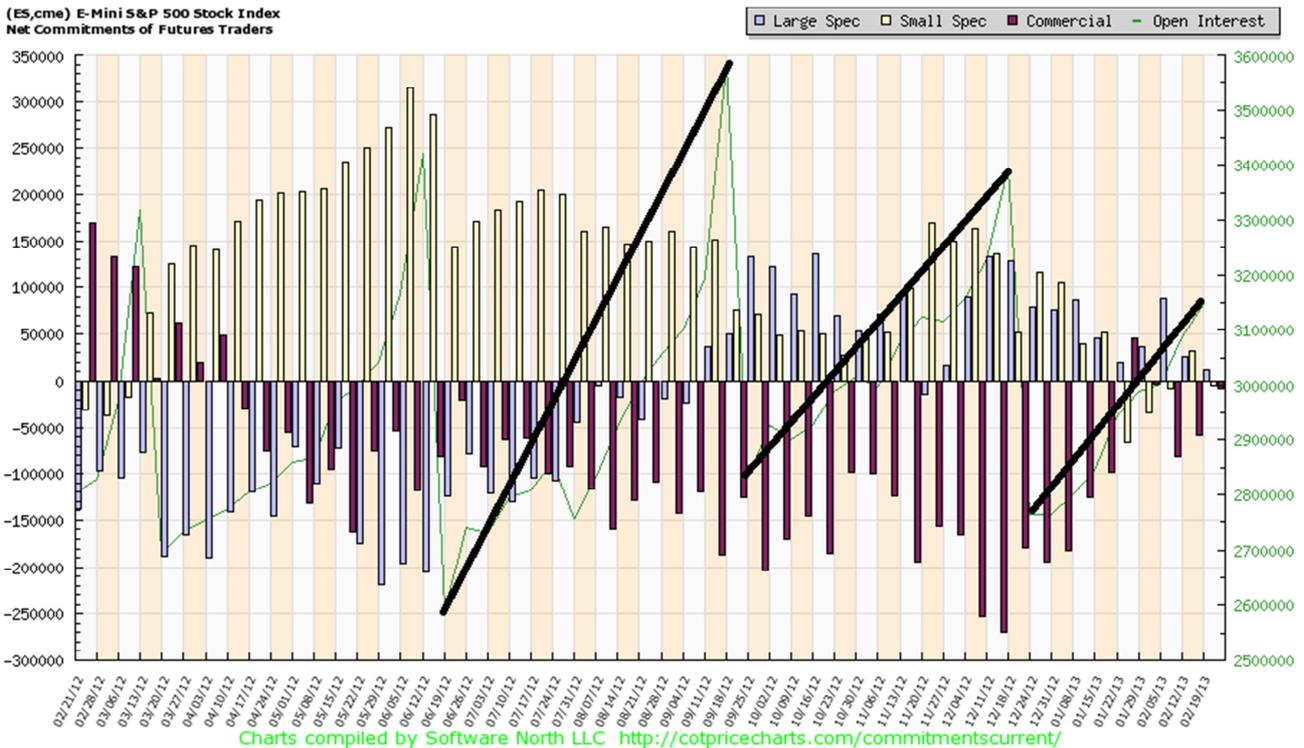
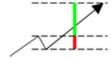


Flash report COT

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“Quantitative approach for asymmetric results”



#	--- Large Speculators ---			----- Commercial -----			-- Small Speculators --			Open Intrest		
	Long	Short	Bullish	#	Long	Short	Bullish	Long	Short		Bullish	
01/22/13	237	378,360	357,986	51%	389	2,298,910	2,253,957	50%	215664	280,991	43%	2,946,116
01/29/13	260	419,392	382,970	52%	404	2,301,384	2,303,952	50%	214673	248,527	46%	2,989,252
02/05/13	267	434,689	345,642	56%	402	2,273,768	2,354,626	49%	230336	238,525	49%	3,001,463
02/12/13	263	414,474	389,092	52%	404	2,332,190	2,389,953	49%	282713	250,332	53%	3,087,242
02/19/13	257	389,674	377,283	51%	403	2,458,066	2,466,240	50%	232230	236,447	50%	3,147,268

Source: <http://www.cotpricecharts.com/commitmentscurrent/index.php>

Some very useful pieces of information can be derived looking at the Commitment of Traders (COT) which is issued on a weekly basis by the US Commodity and Futures Tradig Commission (CFTC). In the last weekly report, shown above in a graphic form, it is worth noting how constantly the Large Traders (light blue bars) have been decreasing their long exposure on the E-Mini SP500 (ES) which coincides with the decreasing of the short exposure of the Commercials (the providers of the contracts).

At the same time it is valuable information to note that the total Open Interest (green line) in the market has been decreasing in the last six months, with a lesser steep angle each time (black line – evidence of momentum loosing -).

Another interesting fact is the **time distance from each trough to peak of Open Interest**, which in the above chart typically takes around three months time. The current time elapse of the latest Open Interest trough to peak is at two months.

The purpose of this flash report is to highlight some evidence that the upward trend started in June is giving (first?) signs of initial losing momentum, that is not derived from an analysis of a chart of the ES future contracts itself, but directly from the players involved in trading such instrument.

This particular study is not directly involved with the clear view of the writer that, at this stage, this upward trend is still the end part of the four-year bull market. However evidence shown here, is highlighting the fact that at each subsequent run up of the market Large Traders were unloading their long positions, either/or participating with less volume in each subsequent leg up.

A clear evidence of a trend inversion with this COT Report would be Large Traders becoming Net Short, with Commercials becoming Net Long.

To date, this has not happen yet.

On the other hand, a robust continuation of the bull market can only be confirmed with higher Net Long position from the Large Traders.

Also, please bear in mind that the CFTC COT Report is a lagging indicator, as it pictures a situation with a rear-view mirror, while at present we do not know the current Net Exposure of the Large Traders.



Mr. Maggioni has been working in the financial markets for the last 11 years covering different roles and working in tier 1 consulting companies and banks worldwide.

In recent years his studies have been focused on the psycho-emotional aspects of trading and how those aspects have an impact on traders' behavior.

Before starting this venture, he was head of a hedge fund desk at HSBC Private Bank in Monaco and before that he was employed at Credit Suisse Asset Management (CSAM) in Zurich covering the in-house single manager hedge funds.

Most of his experience in hedge funds was gained while working in a Swiss family office where he was in charge of the research and analysis as well as due diligence for US and European hedge funds. He also performed quantitative analysis and portfolio construction for several funds advised by the family office.

Prior to that he worked as an external consultant for KPMG Financial Services in the Milan office. In 2002 he has been hired by Ernst & Young LLP, San Francisco as auditor for hedge funds, auditing large single funds and fund of funds. In 2000 he joined Ernst & Young in Milan as an auditor for mid-sized companies.

Mr. Maggioni holds an MBA from IUM and a Portfolio Management degree from the University of Chicago GSB.

Useful Links:

European Central Bank: www.ecb.int
Bank for International Settlements: www.bis.org
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Federal Reserve: www.federalreserve.gov
US CFTC www.cftc.gov

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