

1. Futures Market

Is a marketplace where two counterparties make an agreement to buy or sell a standardized product (called contract) at a specific price on a future date in the future.

Buyer

Makes a profit when the price of the product at expiration is above the agreed price



Seller

Makes a profit when the price of the product at expiration is below the agreed price

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2. CoT Report

Large investors are required to disclose their positions to the Commodity Futures Trading Commission (CFTC) resulting in the CoT Report.

Futures positions are aggregated into three groups

Large Speculators (Smart Money)



- Money Managers with no direct business in the product they trade
- Taking trades purely to seek profits
- For instance, a hedge fund betting on higher or lower coffee prices

Commercial Hedgers (Dumb Money)



- Uses a futures to reduce risk and price fluctuations for their business activity
- For instance, a coffee producer who wants to fix the price for coffee prior harvesting to facilitate calculations

Small Traders (Not relevant)



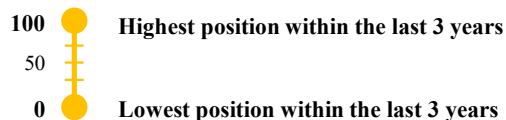
- Difference between commercial hedgers and large speculators
- Too small to be relevant

Track the Positioning of Smart Money

3. The CoT Index Published by WallStreetCourier

Uses the data of the CoT Report to track the positioning of each group in a certain futures market

The CoT Index ranges from 0 to 100 (showing the strength of the positioning)



- The CoT Index divides the current sum of all Large Speculators positions by the largest position within the last 3 years. The result is a percentage rank (between 0 and 100) which shows how high the current position is in comparison to the last 3 years.
- For instance, a value of 100 shows that the current net position of a certain group (Commercial Hedgers or Large Speculators) is the highest within the past 3 years.

Measure Extreme Positions of Smart Money

4. How to Use the CoT Index

CoT Index percentages of Large Traders above 70 indicate strong commitment of Smart Money within a specific futures market

CoT Index Values above 70

Large Speculators (Smart Money) are betting on higher prices (since the sum of their current positions exceeds 70 percent of the highest positions within the last 3 years).

Bullish signal for this specific futures market

CoT Index Values below 30

Large Speculators (Smart Money) are betting on lower prices (since the sum of their current positions is below 30 percent of the highest positions within the last 3 years).

Bearish signal for this specific futures market

Identify Establishing Trends or Major Shifts in a Timely Manner