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Sugar: not so sweet

Sugar prices continue to trend lower and are now trading at a three-year low. According to the International Sugar Organization (ISO), there will be a global production/consumption surplus of 8.5 million tonnes for the 2012-13 marketing year. The ISO forecasts another surplus for the new crop year, albeit a much smaller one. The bears are firmly in control – for now.

Three issues warrant careful consideration, though, and could confuse complacent bears.

The Brazil center-south region, where 90% of the country's sugar is grown, is set to harvest a record cane crop. Sugar output is estimated to be more than 10% higher than last year. That is a tentative estimate, though. There are ample reasons for ethanol production to surprise on the upside. First, the mandated ethanol blend was bumped up by the government on May 1, to 25% from 20%. The government has pursued a rather aggressive campaign to increase ethanol usage. It has also cut sales tax on ethanol and raised petroleum prices. The current estimate for the ethanol/sugar ratio is about 60/40. Based on the incentives the government has initiated, it's a good bet that the ratio will increase to favor more ethanol consumption.

The next issue is cost of production. At current world prices, sugar production is not a highly profitable business. Production costs vary widely, depending on the region and the particular mill. One estimate puts Brazilian production at between 17¢ and 22¢ per pound. This could have an immediate impact on mill production and could influence future planting intentions, unless, of course, sugar prices begin to rise. In the near term, producing and selling ethanol would seem to be more profitable and will help shift the ethanol/sugar production ratio even higher. Where the option exists, farmers will decide to cultivate more profitable crops.

Finally, there is India. Over 50% of sugar-growing regions lack the benefit of irrigation and rely strictly on rain. Some regions in the south and the west of the country that received less than half of normal rainfall levels last year are still suffering from drought. Early estimates for the quality of the June through September monsoon were optimistic. More recent forecasts put the arrival date at June 3, still within the normal range, but possibly late by a few days.

It is far too early to consider this forecast problematic. It should be pointed out, however, that the last weak monsoon in

2009 slashed Indian output and turned the typically self-sufficient sugar producer into a net importer of sugar. Sugar prices eventually soared to above 30¢ per pound.

While the effects of low sugar prices have not yet been felt in a huge way in Brazil, the disincentive has already manifested itself in India. As of a recent estimate, plantings for the 2013-14 crop are down 10% in some areas. Should this turn out to be an indication of a more widespread downturn in acreage, it would result in a drawdown of inventories. Total production would be about 22 million tonnes, down from 24.5 million tonnes in 2012-13 and about 1 million tonnes or more below domestic consumption. Ending stocks levels would be adequate to meet the domestic shortfall, but India would certainly have to halt its exports or risk drawing inventories down to a level that the government would clearly find unacceptable.

Chart 2 shows a sharp drop in open interest during April, but over the past couple of weeks the shorts came right back. Open interest is right back up near the top of the range. There was obviously some short-covering as the May contract headed off the board, but there was no wholesale shift of sentiment among commodity funds. Commitment of Trader data indicate that the net-short speculative position is back to its highs.

We've steered clear of recommending a long position in

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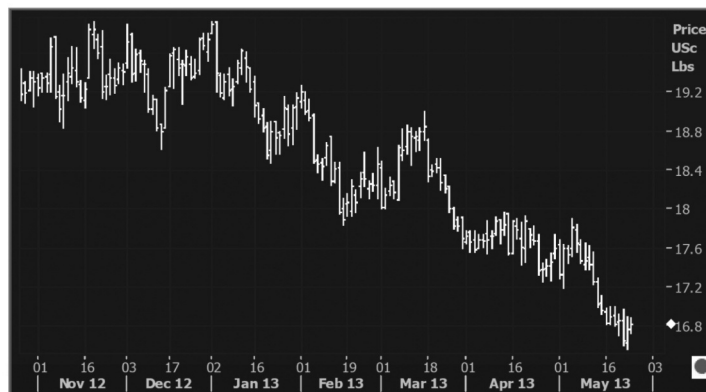
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respect of a classic downtrend. We do believe, however, that what appears to be an overwhelmingly burdensome supply side can spin around in an awful hurry with any crop problems in India. That's for the near term. For the longer term, we are

confident that we will see smaller output from producing nations. Buy out-of-the-money call options. And whatever you decide, do not be short this market.

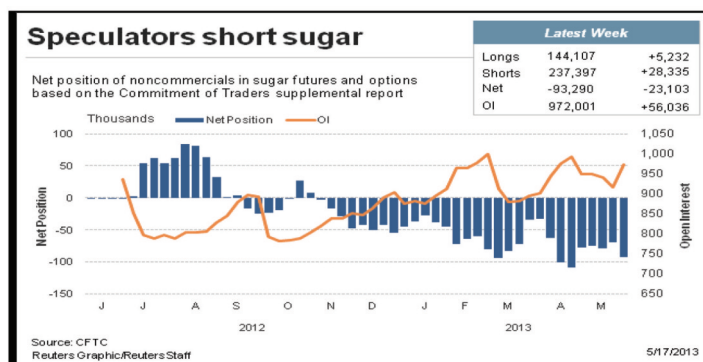
[Sholom Sanik, May 27, 2013]

Chart 1 – July sugar



Courtesy Reuters

Chart 2 – Sugar open interest (line), CFTC speculative net-short position (bar)



Courtesy Reuters

EUR/CHF

Central bank action to come?

The Swiss franc has returned to the center stage of the forex world in recent days. Interest in the Swiss currency has revived after almost two years in relative obscurity following the Swiss National Bank's decision to impose a cap against further appreciation versus the euro in September 2011, which effectively pegged the currency at 1.20 for most of 2012 (Chart 3).

The Swiss franc, much like the Japanese yen, had been perceived to be a safe haven for investors during the past five years of intermittent financial crises, causing the currency to appreciate markedly since 2007, which in turn put pressure on consumer prices in Switzerland and hampered exports to its European neighbors.

The SNB successfully defended its decision to impose a ceiling on further appreciation against the euro, which is not

surprising, since it has the ability to print unlimited quantities of its currency with which to buy euros. In the process, the bank has amassed huge amounts of the common European currency, more than doubling its holdings since the ceiling was imposed, and giving it the fifth largest foreign exchange reserves in the world (Chart 4).

While the move to stem the rise in the franc has been successful, it has not been enough to stop the persistent deflation that has plagued Switzerland, which has seen consumer prices decline for 19 consecutive months (Chart 5). In response, Thomas Jordan, chairman of the SNB, told reporters on May 22 that the central bank could take rates negative, effectively taxing savings, in order to weaken the currency. He also indicated that the central bank could shift the cap on the franc lower, meaning further appreciation of

the euro vs. the franc. Following his comments, the Swiss franc sank to a two-year low against the euro.

If the SNB were to pursue a policy of negative rates, whereby excess reserves deposited with the central bank would be charged interest that would then be passed along by the banks to their depositors, the appeal of holding Swiss francs would be tarnished. Alternatively, the SNB could also raise the 1.20 cap, which would be easier now that the franc has traded away from that level. In either event, the central bank has demonstrated both the ability and the will to see the franc move lower relative to the euro. Given the well-defend-

ed 1.20 cap on franc appreciation, the risk in being short the Swiss franc seems well defined.

The CME has a listed futures contract on the euro/swiss cross, which is the easiest way to express a view on the currency. The risk in this trade is a return to a highly risk-averse environment where investors are willing to pay a high premium for the relative safety of the Alpine currency. Stops should be placed below 1.1950, at a level that would indicate the SNB had broken with its policy of containing the rise of the franc.

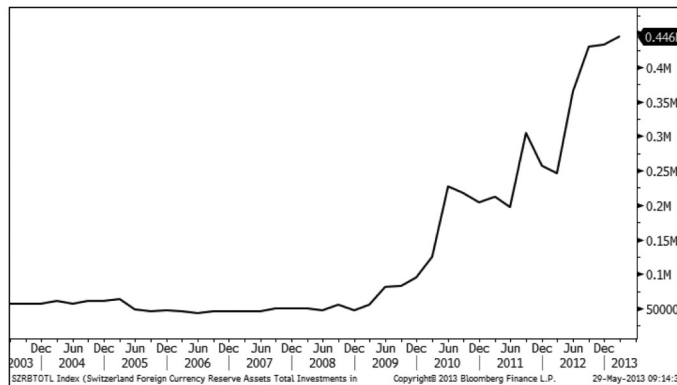
[Jaime Macrae, May 29, 2013]

Chart 3 – EUR/CHF spot



Courtesy Bloomberg LP

Chart 4 – Total Swiss foreign currency reserve assets



Courtesy Bloomberg LP

Chart 5 – Swiss consumer prices



Courtesy Bloomberg LP

PLATINUM

Time to shine

The PGM metals, platinum and palladium, are typically highly correlated assets. However, since February of this year, they have diverged, with palladium pushing towards the highs while platinum has languished (Chart 6). This is a reflection of the relative strength of the US economy versus Europe. The primary use of both metals is in autocatalytic converters, with palladium used extensively in gasoline-powered engines (the type favoured by Americans), and platinum used in the diesel engines that are much more popular on European roads. Chart 7 shows the sharp difference in demand for new vehicles in the US and in Europe.

The demand side of the equation clearly supports palladium's outperformance; however, the supply side may be shifting to favour platinum. About three quarters of the world's supply of platinum comes from South Africa, a country plagued by social and labor unrest, as well as insufficient infrastructure, which leads to frequent power outages and mining delays.

The situation in South Africa appears to be getting worse. Whereas disputes between management and labor unions are nothing new, the growing rivalry between the long-dominant National Union of Mineworkers (NUM) and the upstart Association of Mineworkers and Construction Union (AMCU) threatens to slow or stop production at the world's biggest platinum producers, and it has been growing increasingly violent. As we head into "strike season," a com-

mon term in South Africa to describe the annual mid-year wave of labour walkouts and wage negotiations, this tinderbox of hostility seems primed to catch fire.

The situation worsened on June 3 when an NUM steward was shot dead at a Lonmin mine. Reports abound that workers are arming themselves and bringing weapons into the mines. Union leaders are doing little to douse the flames, with Joseph Mathunjwa, leader of the AMCU saying last week, "Even if you kill me or assassinate me there are those who will follow and take the baton," following a shooting days earlier that killed another AMCU leader in a tavern. Violence, wildcat strikes, legitimate work stoppages: There is a multitude of risks that could derail South African platinum production. The market returned to deficit in 2012 according to GMFS, a leading precious metals consultancy, and is vulnerable to disruptions in supply (Chart 8).

Investors seem to have taken note, as inflows into physically-backed platinum ETFs have been strong, even while money flows out of the more popular gold- and silver-backed funds (Chart 9). With a growing source of new demand, at-risk supply, and a relatively low price compared with its sister metal palladium, platinum looks set to outperform in the near term, at least through the "strike season." Protective stops should be placed below the recent low of 1430.

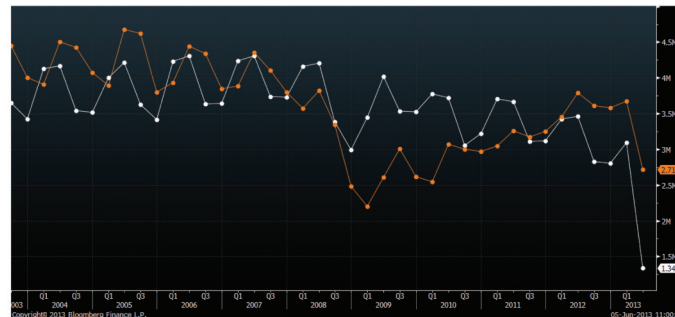
[Jaime Macrae, June 5, 2013]

Chart 6 – Platinum and palladium (normalized over 6 months)



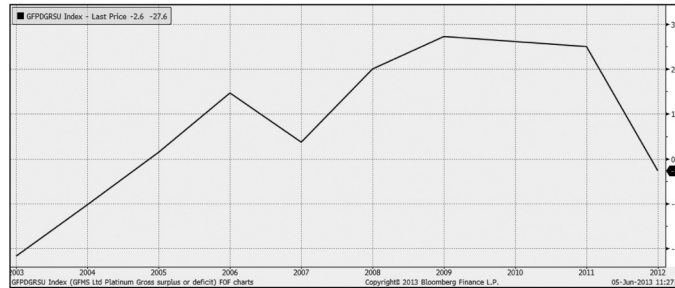
Courtesy Bloomberg LP

Chart 7 – US total vehicle sales vs European vehicle registrations



Courtesy Bloomberg LP

Chart 8 – Platinum supply deficit (metric tonnes)



Courtesy Bloomberg LP

Chart 9 – Platinum holdings of all known ETFs



Courtesy Bloomberg LP

US 30-YEAR BONDS

Tapering a double-edged sword

US Treasuries have continued to disappoint since our May 17 note that viewed “weakness as a buying opportunity.” Increased speculation about the imminence of the Fed’s tapering its asset purchase program, commonly referred to as QE3, is largely to blame; however, the market’s ultimate reaction to such a move is anything but clear.

First of all, tapering and tightening are not the same thing. Tightening is tantamount to stepping on the brakes, while tapering is akin to easing up on the gas pedal. Whether this analogy holds true depends on which “effect” the market is more sensitive to.

The “stock effect” view of asset purchases would argue that tapering is still an accommodative policy, as the Fed’s balance sheet would continue to grow, albeit at a slower pace. Conversely, the “flow effect” view would see decreased purchases as a tightening policy, as the monthly pace of purchases would have declined, reducing downward pressure on interest rates.

Either way, it is important not to view potential tapering in isolation. One of the secondary benefits of the QE programs was easy funding of the US government’s huge deficits, which themselves blunted the efficacy of the bond-buying programs, and which (post-sequestration) have been reduced to almost half of what they were relative to GDP only two years ago (Chart 10).

Therefore, even reduced asset purchases could be able to produce the desired effect of lower interest rates, and actual tightening, by means of either shrinking the Fed’s balance sheet or raising interest rates, still seems to be a distant event.

Secondly, the commonly accepted belief is that when the Fed is buying bonds, yields go down, and when they stop buying bonds, yields go up. But even a cursory examination of Treasury yields surrounding the first two quantitative easing programs reveals that the opposite may in fact be true. Chart 11 illustrates that in both cases Treasuries saw significant drops in yield in the months following the *end* of previous QE programs. This may not, however, provide a clear roadmap with which to navigate the termination of the current program.

The previous two QE programs had defined ending dates, unlike QE3, for which the end is discretionary and intended to be based on improving economic fundamentals, and therefore can be viewed as more of a signal to the market that the Fed is shifting to a slightly less dovish stance. Indeed, any lessons we may take from history could be misleading, as balance sheet expansion of this magnitude is unprecedented.

The selloff in US Treasuries reflects an optimistic market that has grown complacent with regards to risk. Sensitivity to economic results should be high over the summer months, as

Fed tapering will likely be announced only after an FOMC meeting and press conference, providing Fed Governor Ben Bernanke the opportunity to thoroughly explain the shift in policy. That could happen in September or December of this

year.

In the meantime, we maintain our long bias, again favouring longer-dated maturities.

[Jaime Macrae, June 12, 2013]

Chart 10 – US fiscal deficit as % of GDP



Courtesy Bloomberg LP

Chart 11 – US 30-year Treasury yield with QE programs highlighted



Courtesy Bloomberg LP

COPPER

Faux bullish fundamentals

Copper prices were range-bound during May, despite a number of potentially bullish developments (Chart 12).

First, there was a tragic mining accident in Indonesia. On May 14, 28 workers perished when a tunnel collapsed at Freeport McMoran’s Grasberg mine. The government forced the company to suspend operations pending an investigation to determine the cause of the accident and to institute measures that would prevent a repeat of the calamity.

In and of itself, the amount of copper lost to world trade was not overwhelming. The mine supplies about 0.05% of global output. It is estimated that the mine will be out of service for three months. The initial reaction was muted, but the market rallied back to the high of the range in the week following the accident.

The traditional nemesis of Chilean production, labor

unrest, reared its head and had a far more significant effect on global supplies. After a stellar first quarter in which Chilean production rose by 6.6%, year-over-year, it seemed as though estimates for 2013 output, which called for growth of about 3%, would have to be revised. Strikes, however, created a setback, with the most recent data showing April output down 1.2% over last year.

More damaging to the bear case was the most recent reading on Chinese imports. At 358,000 tonnes, May imports were 21% above April and at the highest level in seven months (Chart 13). They were down 14% year-over-year, but the strong showing “messed up” the chart, which has shown a definitive downtrend in Chinese imports. Analysts provided a caveat, however, explaining that the strong showing was on account of backed-up Chilean deliveries that finally showed up.

In any case, the market did not react to the catchy headline that the Chinese data provided and actually sold off sharply on the day the data were released.

Chart 14 shows the combined stocks held in LME, COMEX, and Shanghai exchange warehouses. They've come off a bit over the past few weeks, but remain very close to multi-year highs. And that's not to mention the estimated 500,000-tonne stockpile held in bonded warehouses in China.

The bullish backdrop in both the supply and demand fundamentals for the two arenas that matter most – Chilean output and Chinese usage, as illustrated – have not inspired any strength in prices. Mixed statements from the Fed have caused speculation that a tapering of QE is a possibility. That has sparked a correction in the equity markets and rising interest

rates, which seem to have been more influential on copper prices than the tepid bullish fundamentals.

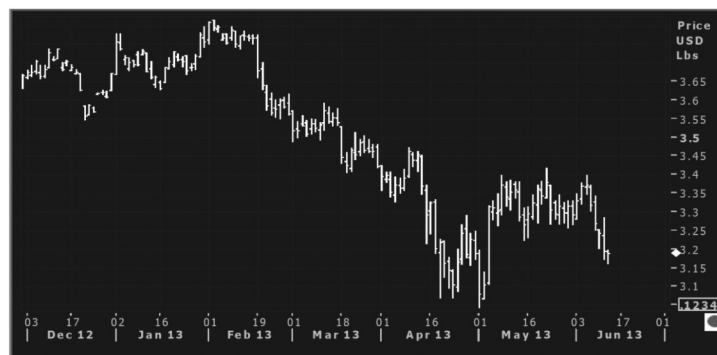
The other base metal markets have been weak as well, most notably nickel, which sank to a four-year low (Chart 15), providing confirmation, perhaps, that global demand for industrial materials has not followed the modest recovery in global economies.

The shorts are tired, which neutralizes the threat of short-covering rallies. Chart 16 indicates fairly clearly that funds have covered the lion's share of their shorts.

July copper came within a smidgeon of our \$3.45-per-pound stop, recommended on May 14. We remain steadfastly bearish. Maintain short positions.

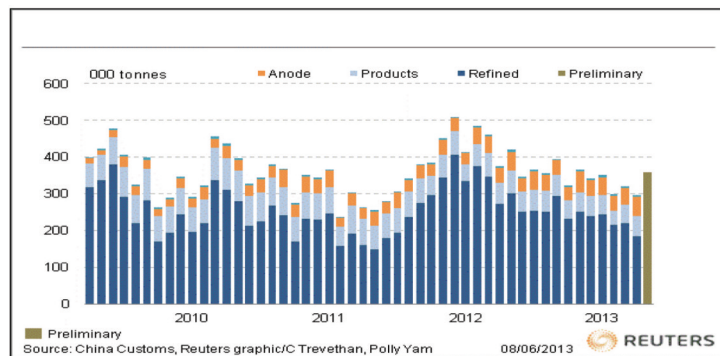
[Sholom Sanik, June 12, 2013]

Chart 12 – July copper



Courtesy Reuters

Chart 13 – Chinese imports

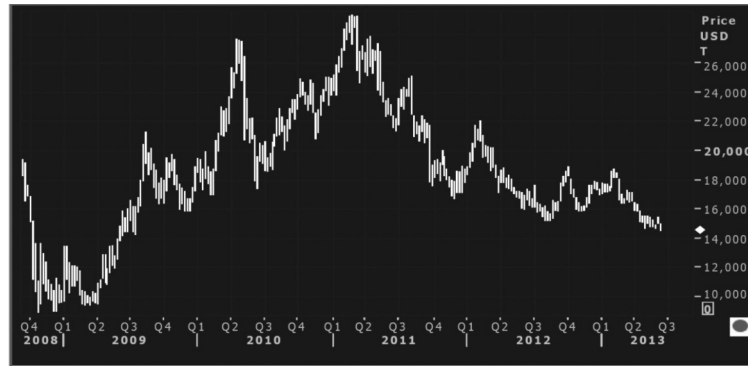


Courtesy Reuters

Chart 14 – Combined warehouse stocks

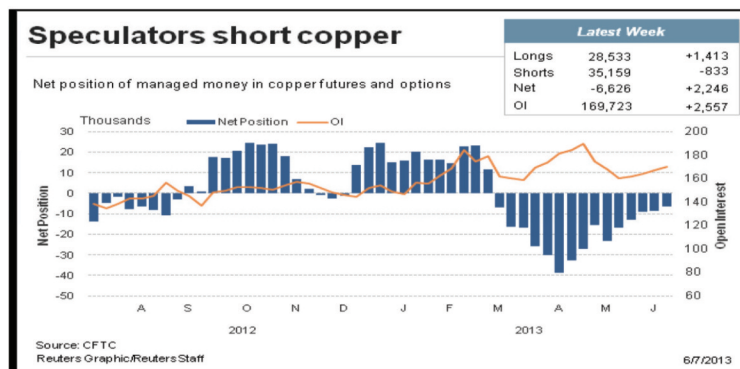


Chart 15 – LME nickel



Courtesy Reuters

Chart 16 – Speculators net positions



Courtesy Reuters

WHEAT

Boring... but never sell a dull market short

Over the past few months, activity in the wheat market has been subdued, especially when compared with the volatility of its counterparts in the corn and soybean pits. It has traded in a relatively narrow range of 50¢ per bushel. Traders were focusing on the extremely wet spring in the US, which delayed both corn and soybean planting. While spring-wheat planting was running well behind the historical norm as well, it comprises only 27% of the total US wheat crop. Winter wheat, which is planted in the fall and makes up the bulk of the US wheat crop, was already nearing harvest during this period.

Although it does not receive as much attention, the spring wheat crop was planted late enough for some areas to miss the planting window altogether. Last year, planting was complete before the end of May. As of the most recent weekly crop progress report, only 92% of the crop was in the ground. On the other hand, prospects for yield have improved. The weekly report showed the good-to-excellent portion of the crop jumped by 6 percentage points from the previous week, to 68%. That compares with 76% last year at this time. Last

year's growing season was marred by severe drought, however, and by the end of summer, the final crop rating dropped to 61%. So it's too early to draw any conclusions.

The much bigger issue is the quality of the winter wheat crop. It was a harsh winter for the key winter-wheat states. As the crop emerged from dormancy, the damage was evident. The most recent weekly crop progress report shows the good-to-excellent portion of the crop at a scant 31%. That's down from 54% at this time last year. The harvest has been slowed down by the same wet weather that has affected planting across the US. Only 11% of the crop has been harvested, compared with 51% at this time last year and the five-year average of 25%. US production levels for the combined winter- and spring-wheat crops remain vulnerable.

The USDA was curiously optimistic in its monthly crop report. The average of analysts' guesstimates for the winter wheat crop was just a tad under 40 million tonnes, below the May estimate of 40.5 million tonnes. But the actual figure came in at 41.1 million tonnes, surprising traders and sending

new crop prices to fresh recent lows.

On May 29, Japan, one of the largest importers of US wheat announced that it was canceling wheat shipments from the US, because of the discovery of illegal genetically modified wheat on an Oregon farm. Other importing nations, such as South Korea and Taiwan, soon joined the chorus and said they would be reviewing their US orders until the situation is clarified. The media were quick to point out that the \$8 billion US wheat export market was at risk if mass cancellations should snowball. Monsanto, the producer of the seed in question, stopped field testing for this product in 2005, and it was never available commercially, so it was indeed a mystery as to how the seed ever surfaced. Farmers from as far away as Kansas initiated lawsuits against Monsanto, claiming that it tainted the reputation of US wheat and that as a result, they would suffer millions of dollars of lost revenues.

In the meantime, Monsanto tested 30,000 samples of seed spanning 60% of all farms in Oregon and neighboring Washington State and did not find any of the illegal seed. On June 14, the USDA confirmed the company's findings that the only instance was the original discovery on the 123-acre farm in Oregon. Initially it seemed as though this could turn into a larger issue that would depress US prices, but the most recent weekly export report showed a normal flow of new sales.

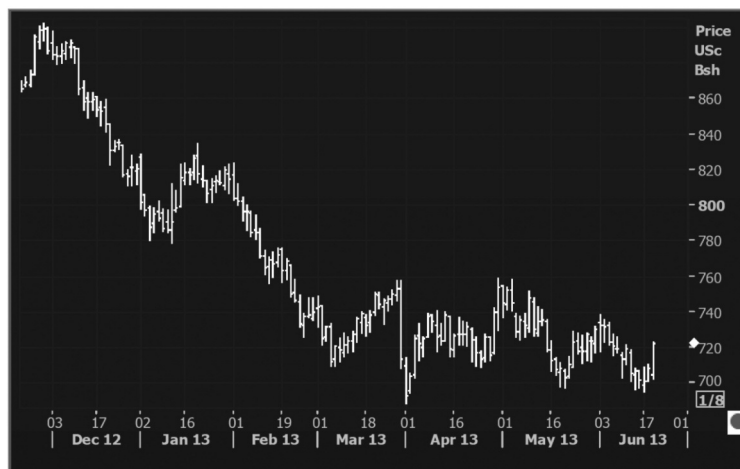
A lot of noise, but a non-event.

Overall, the outlook for 2013-14 global production is not quite as exuberant as it's been over the past few months. For the most part, output estimates for the major Northern Hemisphere winter-wheat-producing nations were revised down from their May estimates. EU production was lowered by 1.3 million tonnes, to 137.44 million tonnes, while the estimate for FSU output was cut by 4.5 million tonnes, to 102.59 million tonnes.

The estimate for global production was revised downwards by about 5 million tonnes, to 696 million tonnes, which resulted in a drop in the estimate for ending stocks to 26.1% of consumption, down from 26.8% last month. Global inventories have been in a downtrend since they peaked at 30.9% of usage in 2009-10. Nevertheless, we are still very far from the bull market years of the mid 2000s when ending stocks plummeted to 21% of usage. Unless fresh dynamics are introduced into the market – a crop failure or an unexpected surge in demand – we expect the market to continue to trade in the confines of recent ranges. One note of caution: Funds are heavily short the market and sentiment readings are at 52-week lows. While there is no compelling reason to be long, it would be downright dangerous to be short.

[Sholom Sanik, June 19, 2013]

Chart 17 – December wheat



Courtesy Reuters

SOYBEANS

Anticipating a record US crop?

Back in April, early forecasts for a record 2013-14 US soybean crop pushed prices down far enough for even die-hard bulls to declare lights out on the bull market. It was a given that the coming record crop would replenish low inventory levels that had resulted from strong domestic and

foreign demand.

Initially, the wet spring that hampered corn planting was not viewed as problematic for soybeans, because its planting window closes much later. But as the planting season dragged on without any significant progress, traders

began to worry that the crop would be planted late enough to extend the growing season into frost season.

As of the most recent crop progress report, 92% of the crop has been planted, compared with 99% last year at this time and the five-year average of 95%. Those numbers don't tell the whole story, though. About a third of what's been planted just made it into the ground over the past two weeks. Last year the crop had been almost completely planted several weeks previously. At this point, a disaster has been avoided, but the shorter growing season will give bears something to worry about throughout the summer.

The June crop report maintained its May estimate for the 2013-14 US crop at 3.39 billion bushels. The jump in the estimate for ending stocks, to 265 million bushels, up from a record-low 125 million bushels, or 4% of consumption, can hardly be an accurate reflection of current developments and will almost certainly be revised downwards in the coming months.

The forecast for record average national yields of 44.5 bushels per acre is very courageous, given how late the crop was planted. The only time US yields were even close to that level was in 2009-10. Excluding that season, the five-year average yield was 41.28 bushels per acre. While the excessive precipitation was certainly beneficial, particularly after subsoil moisture was compromised during last year's drought, it is a very optimistic estimate.

The quarterly stocks report, scheduled for release on June 28, will be important to determine how strong domestic consumption has been and just how tight old-crop will finish up the marketing year. The accompanying acreage report will be far more significant, though, because it is a more accurate reflection of how many acres farmers planted.

One other note on the domestic front: Soybean oil received a new lease on life when Congress instituted

biodiesel incentives early last year, which included a \$1-per-gallon tax credit. The USDA estimates that soybean oil usage for biodiesel will grow during the 2013-14 marketing year to a record 5.4 billion pounds, 10% above 2012-13 usage. That represents 27% of total US soybean oil consumption. To put that in perspective, consider that as recently as 2009-10, only 8.7% of US soybean oil was used as biodiesel.

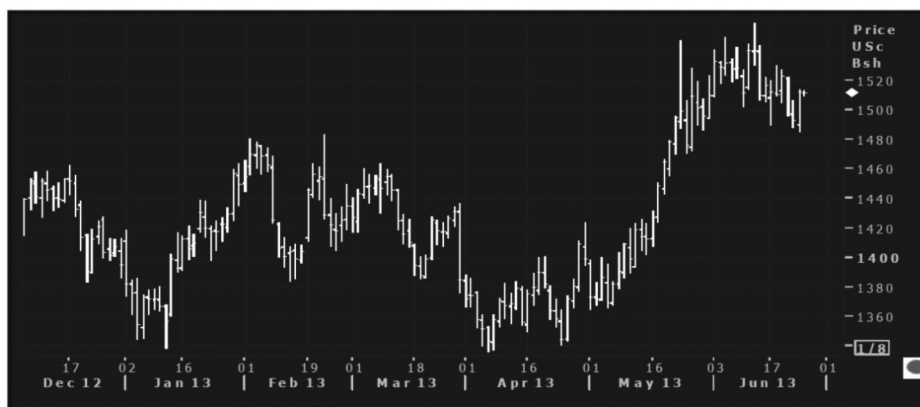
The outcome of the US growing season is crucial after US supplies for the 2012-13 marketing year have been all but depleted, as illustrated. New-crop prices will certainly gyrate with the inevitable threatening weather forecasts, but there is no real urgency.

Brazil and Argentina have produced record crops of 85 million tonnes and 54.5 million tonnes, respectively. That's up from 83 million tonnes and 51 million tonnes the previous year. Global ending stocks are estimated at 73.69 million tonnes, or 27.3% of consumption. That is just shy of record burdensome stocks we saw in 2006-07 and 2010-11. Although that figure is highly tentative, because US acreage or yield estimates are probably already too high – not to mention the unknown of the weather in July and August – it is still likely to be a substantial improvement over the past two seasons, when the global carryover averaged only 22.5% of usage.

To some degree, current price levels have factored in the overly optimistic USDA estimate for the US crop. Perfect weather will erase any price gains in a hurry. On the other hand, bears are at the mercy of the weather as well. The upcoming USDA quarterly stocks and acreage reports, as well as the July monthly crop report, will incorporate much more up-to-date information about old-crop supplies and prospects for the new crop. Remained sidelined, but stay tuned.

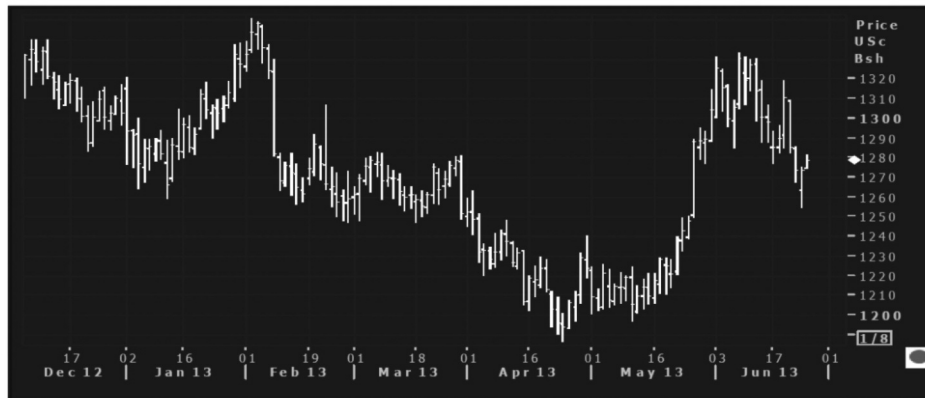
[Sholom Sanik, June 25, 2013]

Chart 18 – July soybeans (old crop)



Courtesy Reuters

Chart 19 – November soybeans (new crop)



Courtesy Reuters

NATURAL GAS

An oasis for fundamental traders

In an environment of unprecedented accommodation from the Federal Reserve, even a hint that the money printing will be curtailed can act like a tsunami on financial markets, sparking massive selloffs in equities, fixed income, currency, and commodity markets. With the constant risk of shifting Fed policies, the past few years have been exceptionally difficult for traders, with even the most well-developed and fundamentally-sound trends swept away with the tide of easy money and subsequent sterilization. Despite the central bank headwinds, there are still several markets where traders can find refuge from this policy risk, an oasis where commodity-specific fundamentals prevail.

Chart 20 shows a matrix of the most highly correlated commodities, markets where regardless of the underlying fundamentals, the wrong word from Fed Chairman Ben Bernanke can overwhelm the most well conceived thesis. Not surprisingly, commodities that are highly sensitive to economic conditions are most at risk of being affected by external factors. Specifically, the energy complex (crude oil and distillates), base metals (copper, nickel, et al), and precious metals (gold and silver) are particularly sensitive to general financial market conditions.

Chart 21 shows the commodity markets that are least correlated to financial markets, and therefore provide a

degree of protection against contagion stemming from central bank or designed to stoke or cool the economy. These tend to be agricultural commodities, driven primarily by weather, crop conditions, and demand for food. The star safe haven from financial market volatility however, is natural gas.

Over the past year, natural gas prices have demonstrated absolutely no sensitivity to equity prices, unlike most commodities, and on days when virtually every market is swept up in central bank headline news, natural gas is reliably unaffected.

The fuel's independence can be attributed to a couple key factors. US benchmark Henry Hub natural gas, the variety traded on the NYMEX, is effectively trapped in the domestic market, and therefore it is largely immune to forces beyond the borders, unlike crude oil which is a globally-traded commodity. It is also difficult to store, and therefore a bad candidate for commodity traders to stockpile, unlike metals like gold and copper – this means that fundamentals tend to prevail.

While it remains one of the most volatile commodity markets, natural gas is a prime candidate for traders disillusioned with the current market, and its tendency to move in tandem.

[Jaime Macrae, June 25, 2013]

Chart 20 – 1-year daily correlation matrix (high correlation)

	S&P	Nasdaq	Gold	Silver	\$USD Index	Nickel	Copper	Crude	Heating Oil	30-yr Bonds
S&P	1.000	0.917	0.356	0.355	-0.364	0.326	0.449	0.509	0.407	-0.416
Nasdaq	0.917	1.000	0.329	0.350	-0.363	0.311	0.427	0.495	0.402	-0.408
Gold	0.036	0.329	1.000	0.889	-0.385	0.361	0.492	0.453	0.361	0.054
Silver	0.355	0.350	0.889	1.000	-0.369	0.392	0.560	0.467	0.402	0.001
\$USD Index	-0.364	-0.363	-0.385	-0.369	1.000	-0.324	-0.403	-0.419	-0.299	0.108
Nickel	0.326	0.311	0.361	0.392	-0.324	1.000	0.685	0.379	0.325	-0.192
Copper	0.449	0.427	0.492	0.560	-0.403	0.385	1.000	0.546	0.447	-0.326
Crude	0.509	0.495	0.453	0.467	-0.419	0.379	0.546	1.000	0.807	-0.315
Heating Oil	0.407	0.402	0.361	0.402	-0.299	0.325	0.447	0.807	1.000	-0.227
30-yr Bonds	-0.416	-0.408	0.054	0.001	0.108	-0.192	-0.326	-0.315	-0.227	1.000

Data courtesy Bloomberg LP

Chart 21 – 1-year daily correlation matrix (low correlation)

	S&P	\$USD Index	30yr Bonds	Natural Gas	Orange Juice	Soybeans	Coffee	Wheat	Sugar	Corn
S&P	1.000	-0.363	-0.419	0.000	0.056	0.096	0.123	0.177	0.196	0.109
\$USD Index	-0.363	1.000	0.105	-0.079	-0.122	-0.100	-0.176	-0.055	-0.122	-0.010
30yr Bonds	-0.419	0.105	1.000	0.029	-0.133	-0.157	0.037	-0.053	-0.072	-0.074
Natural Gas	0.000	-0.079	0.029	1.000	0.024	0.144	0.048	0.137	0.163	0.201
Orange Juice	0.056	-0.112	-0.133	0.024	1.000	0.139	-0.019	0.048	0.019	0.130
Soybeans	0.094	-0.100	-0.157	0.144	0.139	1.000	0.084	0.487	0.093	0.630
Coffee	0.123	-0.176	0.037	0.048	-0.019	0.084	1.000	0.139	0.316	0.095
Wheat	0.117	-0.055	-0.053	0.137	0.048	0.487	0.139	1.000	0.083	0.696
Sugar	0.196	-0.122	-0.072	0.163	0.019	0.093	0.316	0.083	1.000	0.117
Corn	0.109	-0.010	-0.074	0.201	0.130	0.630	0.095	0.696	0.117	1.000

Data courtesy Bloomberg LP

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