

# Floyd Upperman & Associates

Combining the Commitment of Traders (COT) data and price behavior to gain insight into price direction.



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- Commitments of Traders data, What is it?
- When and how is the data gathered?
- What are the categories of traders in the COT?
- How do I use the data and include it in a trading system?
- What is the IMPA, standard IMPA approach and IMPA Fade?
- Entry's (initial and established).
- Examples directly from the subscriber areas of my website ([www.upperman.com](http://www.upperman.com))



# Commitments of Traders (COT) Report

## What is it? Where is it?

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- U.S. Government Report (data) published by the Commodity Futures Trading Commission (CFTC, a U.S. govt. agency) on a weekly basis.
- Report provides unique insight into the Futures markets.

### **What kind of insight?**

- The COT report tracks the trading activity of 3 categories of traders.
  - (1) Commercial Hedgers
  - (2) Large Speculators
  - (3) NonReportable - The nonreportable positions are small positions. Together, all three categories make up 100% of the open interest.
- Data is tabulated from Tuesday's close and released on Friday's.
- The raw COT report is published weekly at <http://www.cftc.gov/marketreports/commitmentsoftraders/index.htm>



## The gathering of COT data

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- Futures market positions are collected and tabulated each week (based on Tuesday's closing figures).
- Reportable positions are those that meet and/or exceed the CFTC "reporting level" for a specific market. This is not the same thing as a "position limit". Position limits are imposed on speculators. Bona fide hedgers do not have any imposed position limits (just an FYI).
- Each market has a "Reporting level" or limit which applies to all accts.
- When the size of a position meets or exceeds the "reporting level" for a specific market, the entire position (total number of contracts held) is reported and categorized as 'Large Spec' or 'Commercial' (based on the account type). Small positions (spec or hedging) that do not meet the 'reporting limits' do not get reported. These positions are summarized in the COT report too, under the "NonReportable" category. These are essentially the left over positions. (e.g. Total O/I minus Reported positions = Left over positions).
- When a futures trading account is initially established, the owner/operator of the account must specify whether the account is for Speculative or Hedging purposes. This determines the account type.

# Raw COT data from COT report

## FUTURES ONLY COT REPORT FOR 06/17/08

| REPORTABLE POSITIONS                  |        |           |            |         |           |         |         | NONREPORTABLE POSITIONS |        |
|---------------------------------------|--------|-----------|------------|---------|-----------|---------|---------|-------------------------|--------|
| NON-COMMERCIAL                        |        |           | COMMERCIAL |         | TOTAL     |         |         |                         |        |
| LONG                                  | SHORT  | SPREADING | LONG       | SHORT   | LONG      | SHORT   | LONG    | SHORT                   |        |
| 001602 WHEAT - CHICAGO BOARD OF TRADE |        |           |            |         | OPEN INT: |         | 362,126 | (                       | 1,994) |
| 83,236                                | 85,643 | 53,968    | 194,200    | 170,893 | 331,404   | 310,504 | 30,722  | 51,622                  |        |
| -4,234                                | -4,209 | 1,252     | 455        | 3,836   | -2,527    | 879     | 4,521   | 1,115                   |        |
| 23.0                                  | 23.7   | 14.9      | 53.6       | 47.2    | 91.5      | 85.7    | 8.5     | 14.3                    |        |
| 99                                    | 105    | 117       | 70         | 106     | 257       | 273     |         |                         |        |

**Non-Commercial = Large Traders, Commodity Pools, Commodity Funds (speculative).**

**Commercial = Commercial Hedgers. Dealers in cash markets (producers & consumers).**

\* Included in the commercial category are commodity index trader (CIT) positions. These are institutional positions considered to be 'hedged' in a nontraditional fashion. The beneficiaries are not involved in the cash markets. The positions are managed by banks, whom are not exposed to the risks, on behalf of swap dealers, pension fund and others.

**NonReportable Positions = Small positions that are not reported.**

\* The mechanism for counting positions is the CFTC "reporting limit". When an account exceeds a CFTC reporting limit, the positions are reported (as hedged or speculative based on account type). The CFTC tabulates positions weekly.



# Floyd Upperman & Associates (FUA)

## COT/Price Analysis

*Combining COT analysis with technical analysis of Price .....*

### **Traditional COT Tracking/Graphing**

The majority focus on Net-Commercial position vs. price only.

### **Floyd Upperman & Associates COT Tracking Systems and Graphing Programs dig deeper into COT!**

#### **Commercial Hedgers (COM)**

I consider the commercials to be the “Informed Money”. They are experts on Supply & Demand fundamentals and on Cyclical nature of markets.

- FUA seasonal price studies include commercial positions since seasonal price trends are often driven by commercial hedging at specific times.
- Additional FUA Commercial studies**
- Com. Consumer positions vs. price
  - Com. Producers positions vs. price
  - Com. Consumer vs. producer pos. (Do they agree or disagree?)

#### **Non-Commercial (NC or Large Specs)**

I consider the large speculators to be the “Smart Traders”. They are experts on technical formations, indicators, price trends, reversals, and on psychological influences.

- FUA studies include forward price structure & technical analysis of front and back month contracts.
- Price patterns and price indicators and tracking of Large spec positions (smart trader activity)
  - Spec longs vs. price structure
  - Spec shorts vs. price structure
  - Spec longs vs. spec shorts (Do they agree or disagree?)

#### **Non-Reportable (Small trader)**

This category consists of a mixture of **small speculators** and **small commercial hedgers**. These are left over positions! (All positions minus Reported positions = Left over positions)

#### **Historical View**

Non-Reportable  
VS.  
Commercial hedgers, large speculators and price history.



# Floyd Upperman COT Systems

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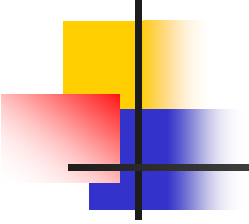
1. **Standard IMPA System (cot and price indicators)**
  2. **IMPA FADING System (cot and price indicators)**
- The standard IMPA system is a traditional net-commercial (trigger) approach combining technical price indicators and patterns with Individual Market Participant Analysis (IMPA), which means the analysis of all participants, including the commercial breakdown as follows:
    - \* Net-Commercial [C] - Trigger selection (initial alert)
    - \* Net-HIST (Full history) – Check all net positions for historic extremes
    - \* Commercial Consumer [C] Analysis – Check for warning or agreement
    - \* Commercial Producer [P] Analysis – Check for warning or agreement
    - \* Commercial Producer/Consumer [Cp] – Check for extreme measurement
    - \* Net-Fund [F] – Check fuel status for New Trend. Historic measure
    - \* Long and short Fund [Isf] Analysis - Check for divergence / agreement



## IMPA FADING System (cot and price indicators)

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- The IMPA FADE approach capitalizes on the leading characteristics of the commercials and the power of the trend. The commercials tend to be early, they tend to FADE price trends, and trends often go further than we expect them to go.
- Commercials buy into falling markets and sell into rising markets.
- As traders, we typically do NOT want to follow what the commercials are doing! They are NOT smart traders. They are informed hedgers.
- They fade price trends.
- Only when they are EXTREMELY one sided do we care what they are doing.
- Extreme net-commercial positions tend to be “leading indicators”.
- They often go extreme weeks or months before the actual trend change occurs.
- When the trend change does occur however, it can and often is historic (the beginning and/or ending of an era or major trend change)
- The IMPA FADE approach focuses on trading with the existing trend, typically if you go back far enough you find the current trend emerged from a past IMPA setup. Only reverse when ALL the IMPA traditional system criteria has been satisfied and the price trend has reversed.



# Traditional IMPA System Criteria and procedures (entry, stops, follow up)

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- Net-Commercial Selection (leading non-price indicator)
- Proprietary RSI Divergence (leading price-derived indicator)
- Price close above 18dma for 2 consecutive days (additional optional criteria can be applied here as well, such as 2<sup>nd</sup> close thru 18dma must exceed 1<sup>st</sup> close and 2<sup>nd</sup> close must not be opposing plunger). The moving averages are lagging indicators.
- 10/18 day moving average cross-over provides new trend confirmation. (lag)
- 4/9 week moving average cross-over provides longer-term confirmation. (lag)
- Must have CLEAR logical stop for initial entry (initial stop method, price extreme).
- Once trending, use 2-day 18dma trailing stops method (established stop method)
- Manual on stops (initial stop vs. established stop. When to use each and why)  
<http://www.upperman.com/cot/newhelp/adobe-documents/workshopmanual2x.pdf>
- Plunger patterns (daily and weekly) provide ideal logical stops.
- Daily Plunger pattern also acceptable as a higher risk 'EARLY Entry' technique.
- Manual Plungers ([http://www.upperman.com/cot/newhelp/plunger\\_patterns.htm](http://www.upperman.com/cot/newhelp/plunger_patterns.htm))
- More on Entry's [http://www.upperman.com/cot/newhelp/entry\\_manual/entry.htm](http://www.upperman.com/cot/newhelp/entry_manual/entry.htm)



# Wrap up

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- Website is [www.upperman.com](http://www.upperman.com)
- Access to upperman & associates website available by membership only.

## Memberships

- Membership Options >

|                      |       |
|----------------------|-------|
| Yearly               | \$999 |
| Bi-yearly            | \$549 |
| Quarterly            | \$289 |
| Monthly              | \$99  |
| One-time Startup fee | \$99  |

|                          |                             |
|--------------------------|-----------------------------|
| <b>Webinar Attendees</b> | <b>Presentation Special</b> |
| <b>PROMO CODE:</b>       | <b>50% off \$99 startup</b> |
| <b>SOYBEANS</b>          | <b>(\$49.50 Savings)</b>    |

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