

Crowded Market Analysis

ANALYSIS OF THE COMMITMENTS OF TRADERS DISCLOSED
BY THE CFTC ON 2024-10-11

FRANCOIS CHEVALIER

Master's degree student at EDHEC in Financial Engineering
Centrale Lille || Mathematics University of Nice Sophia Antipolis

Introduction and explanatory notes

The Commitments of Traders reports are released every Friday at 3:30 New York time zone by the Commodity Futures Trading Commission. These reports contain traders' positions in U.S. futures and options contracts as of the Tuesday of the same week they are released. This document aims to report CFTC positioning data and to analyze it in order to build systematic trading strategies. This document focuses on the *Legacy* CFTC positioning report that categorizes traders into three groups:

- **Commercials** (aka *Hedgers*) : use futures contracts for hedging the futures underlying. For commodity markets, the commercial participants are for example mining firms that have access to the cash market and therefore have additional information on supply and demand. This category also includes sell side entities from financial organizations.
- **Non-Commercials** (aka *Large Speculators*) : use futures markets for money management. This category includes CTAs, Hedge Funds, and major players in the buy-side industry.
- **Non-Reportable** (aka *Small Speculators*) : are typically retail investors that use futures markets for personal investing.

Analyzing the absolute levels of investors' positioning is not particularly relevant, as participants in futures markets engage for various reasons. For instance, in the case of physically settled oil futures, commercial entities like oil producers tend to maintain a net short position most of the time, as they aim to secure prices for selling their assets.

Therefore, interpreting market sentiment based on the positioning of futures market participants requires a comparison of current positions against historical ranges. The indicator used in this report is the COT index, a positioning metric defined as follows:

$$COT\ Index = 100 * \frac{Net_{Last} - \text{Min}(Net_{Lookback\ Period})}{\text{Max}(Net_{Lookback\ Period}) - \text{Min}(Net_{Lookback\ Period})} \in [0; 100]$$

Where parameters are:

- $Net = \text{Long Positions} - \text{Short Positions}$
- $Lookback\ Period = 2\ \text{years}$

The COT Index of non-commercials getting closer to 100 means traders are building much more long positions than usual whereas 0 levels mean short positions are stronger than usual.

Interpreting COT Index week-on-week change:



The COT Index **decreases** when there are:

- Long liquidations + short building
- Short building > long building
- Long liquidations > short covering

The COT Index **increases** when there are:

- Long building + short covering
- Long building > short building
- Short covering > long liquidations

COT Index heatmap

	COT Large Spec			COT Commercial			COT Small Spec			COT Large Spec			COT Commercial			COT Small Spec			COT Large Spec			COT Commercial			COT Small Spec			COT Large Spec			COT Commercial			COT Small Spec					
Contract	22/10/2024			15/10/2024			08/10/2024			01/10/2024																													
S&P 500	78	21	88	61	36	83	74	28	78	76	23	88																											
NASDAQ-100	64	20	80	69	16	81	79	11	78	79	8	83																											
DOW JONES	85	11	92	84	15	77	74	25	74	72	28	67																											
RUSSELL 2000	100	0	93	86	12	86	88	10	82	84	14	85																											
S&P 400 MID CAP	20	48	82	19	52	77	24	52	68	20	50	79																											
S&P 500 ANNUAL DIVIDEND	100	0	85	100	0	90	84	15	84	85	15	81																											
S&P CONSUMER STAPLES INDEX	65	14	89	65	13	91	67	52	22	65	20	78																											
S&P ENERGY INDEX	0	100	15	3	88	33	8	79	48	22	67	44																											
S&P FINANCIAL INDEX	32	44	84	27	47	85	100	5	72	98	0	88																											
S&P UTILITIES INDEX	70	14	94	88	3	95	87	5	94	78	30	71																											
DOW JONES U.S. REAL ESTATE	68	51	33	65	31	85	86	35	69	89	35	67																											
NIKKEI STOCK AVERAGE YEN DENOM	45	84	36	50	76	36	53	17	80	58	21	70																											
MSCI EAFE	41	59	61	34	67	50	50	53	51	55	48	57																											
MSCI EM INDEX	14	82	64	70	28	79	74	26	69	78	22	75																											
VIX	100	0	70	100	0	49	99	1	55	86	7	87																											
FED FUNDS	100	0	50	100	0	43	55	47	38	47	52	57																											
SOFR-1M	29	72	77	19	82	36	30	70	73	39	61	77																											
SOFR-3M	96	4	93	95	5	98	99	1	92	93	7	87																											
2-YEAR NOTES	37	50	95	38	50	86	40	49	84	41	47	89																											
5-YEAR NOTES	14	81	98	11	89	88	1	100	95	1	99	98																											
10-YEAR NOTES	8	94	86	0	100	97	2	100	86	4	92	99																											
ULTRA 10-YEAR NOTES	96	0	64	86	2	62	82	0	76	72	6	77																											
30-YEAR BONDS	31	42	94	46	28	94	62	15	87	73	0	100																											
ULTRA 30-YEAR BONDS	88	13	45	84	8	70	91	8	48	100	0	44																											
USD INDEX	8	100	5	10	100	5	58	54	0	56	54	0																											
EURO FX	41	54	64	41	53	72	53	44	67	63	36	65																											
BRITISH POUND	72	21	99	62	31	97	75	19	98	84	14	89																											
JAPANESE YEN	100	0	89	100	0	100	100	0	100	100	0	100																											
SWISS FRANC	62	34	67	66	28	74	58	34	79	57	38	70																											
CANADIAN DOLLAR	64	37	54	59	40	52	59	40	42	58	39	57																											
AUSTRALIAN DOLLAR	81	16	98	57	41	76	79	21	85	84	14	94																											
NEW ZEALAND DOLLAR	38	54	84	37	55	81	35	55	100	40	52	92																											
MEXICAN PESO	35	69	7	33	71	9	43	62	0	44	60	0																											
BRAZILIAN REAL	17	84	24	21	79	21	23	78	20	4	84	100																											
SOUTH AFRICAN RAND	99	0	100	100	0	88	100	0	89	99	0	96																											
BITCOIN	18	93	31	30	80	24	44	67	23	54	56	21																											
ETHEREUM	22	86	32	30	78	28	36	75	14	59	48	12																											
BBG COMMODITY INDEX	54	46	63	69	31	62	69	31	63	67	32	63																											
CRUDE OIL	10	95	16	3	99	29	1	100	37	18	82	47																											
BRENT CRUDE OIL	54	46	48	67	31	55	72	32	16	77	27	13																											
GASOLINE RBOB	26	78	20	7	99	1	6	100	1	11	96	0																											
HEATING OIL	0	98	11	0	100	2	0	100	9	17	92	16																											
NATURAL GAS	69	42	0	70	36	9	72	35	7	62	44	14																											
GOLD	100	0	69	100	0	72	95	6	69	97	4	69																											
PLATINUM	82	15	43	75	23	42	45	48	63	22	65	100																											
PALLADIUM	54	48	35	52	52	18	22	82	27	17	86	31																											
SILVER	100	4	66	96	9	63	78	25	55	80	23	60																											
COPPER	64	36	57	52	48	54	45	55	52	45	54	54																											
ALUMINUM	0	100	62	0	100	60	0	100	48	0	100	51																											
STEEL	46	55	49	44	56	53	48	54	36	54	49	24																											
COCOA	47	51	88	44	53	84	43	55	86	43	55	91																											
COFFEE	93	5	100	94	5	95	88	12	82	88	12	83																											
COTTON	20	79	34	13	85	32	0	100	0	3	97	13																											
ORANGE JUICE	36	53	65	33	49	86	34	47	88	30	53	80																											
SUGAR	42	56	55	27	74	30	24	78	23	27	74	29																											
LUMBER	29	72	15	20	82	0	21	81	6	24	77	21																											
WHEAT-SRW	83	16	24	81	19	18</																																	